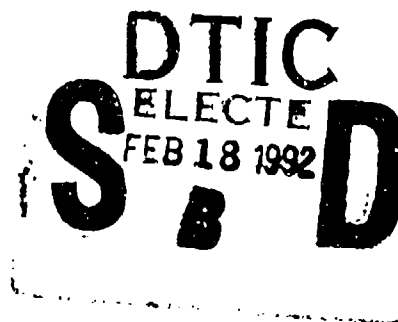


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NAVAL POSTGRADUATE SCHOOL  
Monterey, California

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THESIS

BUDGET EXECUTION:  
A Management Guide for Naval Security Group  
Commanding Officers, Officers in Charge  
and  
Department Heads

by

Reiner W. Lambert

December, 1990

Thesis Advisor:

CDR Glenn D. Eberling

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A Management Guide For Naval Security Group  
Commanding Officers, Officers in Charge  
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Department Heads

by

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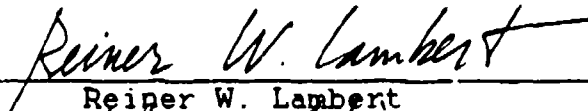
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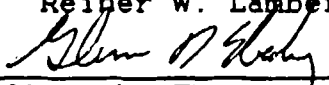
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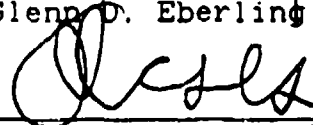
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## ABSTRACT

The focus of this thesis is to identify some of the important elements of budget execution over which Naval Security Group Commanding Officers (CO), Officers in Charge (OIC) and Department Heads (Dh) have some degree of control. This thesis is a compendium of information on budget execution collated from a multitude of Navy fiscal management directives, manuals, desk guides and instructions. This budget execution management guide, which addresses each element of the multi-faceted budget execution process, is intended to assist COs, OICs and Department Heads in meeting the challenges of successful budget execution while operating in an increasingly austere budget environment.



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## I. INTRODUCTION

### A. PURPOSE

The purpose of this thesis is to provide a budget execution guide for Naval Security Group (NSG) Commanding Officers (CO), Officers in Charge (OIC) and Department Heads (DH). This guide explains the budget execution process for Naval Security Group field activities, detachments and departments. It should reinforce the entire budget execution process for Naval Security Group field activities, detachments and departments as a result of more knowledgeable Commanding Officers, Officers in Charge and Department Heads.

Additionally, this budget execution guide can be used by newly reporting COs, OICs and DHs to ascertain the effectiveness/efficiency of the command's current fiscal environment. Information gained by reviewing this budget execution guide can be used by COs/OICs/DHs to establish goals and objectives for his/her tour as well as monitor the process of budget execution.

### B. BACKGROUND

The Commander, Naval Security Group Command, Assistant for Plans Programs & Budget (PPB)/Resources Management (RM) Comptroller (GD) recognized the need for a comprehensive,



budget execution guide for COs, OICs and DHs within the Naval Security Group to improve its budget execution performance. As major claimant for 48 activities in 21 countries, many of which are small and manned by junior grade personnel, Naval Security Group Command has a significant budget execution challenge. The purpose of this thesis is to help overcome the challenge through a better understanding of the budget execution process.

#### C. RESEARCH OBJECTIVE

The research objective is to produce a detailed, easy to comprehend, budget execution guide for Naval Security Group Commanding Officers, Officers in Charge and Department Heads. Some Naval Security Group Activities have their own supply and comptroller departments headed by a Naval Supply Corps Officer, while smaller detachments may have an enlisted Storekeeper (SK) to perform comptroller functions. This guide is written with the recognition that the budget execution support organization differs significantly from field activity to field activity.

#### D. RESEARCH QUESTIONS

The principle research questions were:

1. What is budget execution?
2. What is the CO/OIC/DH's role in budget execution?
3. What resources are available to assist CO/OIC/DHs in budget execution?

4. What areas of budget execution are unique to Naval Security Group Activities, Detachments and Departments?
5. What should NSGA Commanding Officers, Department Heads and NSGD Officers in Charge know about the budget execution process?

#### **E. SCOPE, LIMITATIONS, AND ASSUMPTIONS**

This thesis focuses on outlining the budget execution process for Naval Security Group Commanding Officers, Officers in Charge and Department Heads. It is intended to be a budget execution guide with general applicability to Naval Security Group Activities, Detachments, and Departments. This guide includes only those elements of budget execution which are considered essential to understanding the process and the problems associated with it. In the current environment of constrained fiscal resources and looming deep cuts in the defense budget, effective budget control and execution offer an opportunity for the Naval Security Group to continue to achieve its planned fiscal goals without sacrificing mission accomplishment. This guide will provide Naval Security Group Commanding Officers, Officers in Charge and Department Heads with a basic understanding of the budget execution process and their individual roles in it.

#### **F. LITERATURE REVIEW AND METHODOLOGY**

During the research of this thesis, numerous Federal, Department of Defense and Navy directives, regulations,

guides and instructions related to financial management. budget execution and fiscal policy were examined.

In addition to the literature search, telephone interviews were conducted with comptroller personnel at Naval Security Group Command Headquarters, comptroller and command personnel at individual NSG activities, and FASTDATA personnel in both NAVCOMPT (NCB) and Commander, Naval Reserve Force, New Orleans, Louisiana.

In addition to the above, a survey was sent to each Commanding Officer, Officer in Charge and Department Head of the 48 Naval Security Group Activities, Detachments and Departments worldwide. These surveys requested specific obligation/expenditure rate information, budget execution problems, financial experience levels, and general financial management questions. The responses to these surveys assisted immeasurably in identifying specific NSG budget execution problems and in determining obligation/expenditure rates for the Naval Security Group as a whole. The survey and its results are summarized in Appendix C.

## G. ORGANIZATION OF STUDY

APPENDIX A is BUDGET EXECUTION: A Management Guide for Naval Security Group Commanding Officers, Officers in Charge and Department Heads. Sections will be devoted to:

1. an introduction to the purpose of the budget execution guide,
2. an introduction to financial management in the Navy and flow of funds.

3. an overview of the Navy accounting system including the Navy financial coding system, along with a discussion of financial/resource management reports available to Commanding Officers, Officers in Charge and Department Heads.
4. discussion in detail of the budget execution process with specific attention on Naval Security Group Activities, Departments, and Detachments.
5. several appendices, including:
  - (a) Acronyms and Abbreviations
  - (b) Glossary of Terms
  - (c) Results of CO/OIC/DH financial management/budget execution survey.
  - (d) Organization and functions chart for the CNSG comptroller organization.

## H. CONCLUSION AND RECOMMENDATION

### 1. Conclusion

The purpose of this thesis was to identify the key elements of the budget execution process for NSG Commanding Officers, Officers in Charge, and Department Heads in a practical, easy to read management guide. Through the Financial Management Survey, summarized in Appendix C, it was apparent that NSG COs, OICs, and Department Heads have not received sufficient financial management education and training. Nor are they satisfied with the training they have received. Due to the numerous factors which compete for their time, it is recognized that COs, OICs and DHs cannot be expected to complete a course of financial

management instruction while performing their current duties.

## 2. Recommendation

*That a CNSG sponsored NPS student research and develop a budget formulation guide tailored to NSG Commanding Officers, Officers in Charge and Department Heads.*

A budget formulation management guide would provide a ready reference companion guide for this budget execution guide. Most COs/OICs/DHs indicated that they prefer easy to read, practical guides to lengthy instructions and manuals.

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BUDGET EXECUTION:

A Management Guide for Naval Security Group  
Commanding Officers, Officers in Charge,  
and  
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## I. INTRODUCTION

The Naval Security Group Command, Assistant for Plans, Programs & Budget (PPB)/Resources Management (RM) Comptroller (GD) recognizes the need the Naval Security Group to improve its budget execution performance. As major claimant for 48 activities in 21 countries, many of which are small and manned by junior grade personnel, Naval Security Group Command has a significant budget execution challenge. The purpose of this budget execution guide is to help overcome the challenges of budget execution, in a period of declining operating budgets and increased oversight, through a better understanding of the budget execution process.

This document is intended to be a practical, easy to comprehend, budget execution guide for Naval Security Group Commanding Officers, Officers in Charge and Department Heads. This guide is written with the recognition that the budget execution support organization differs significantly from field activity to field activity. Some Naval Security Group Activities have their own supply and comptroller departments headed by a Naval Supply Corps Officer, while smaller detachments may have an enlisted Storekeeper (SK) to perform all comptroller related functions.

The diversity of manning, mission and command structure within the Naval Security Group preclude a separate explanation of the budget execution process peculiar to each Naval Security Group activity, detachment or department. However, it is intended to be a budget execution guide with general applicability to Naval Security Group Activities, Detachments, and Departments. This guide focuses on outlining the budget execution process for Naval Security Group Commanding Officers, Officers in Charge and Department Heads. This guide includes only those elements of budget execution which are considered essential to understanding the process and the problems associated with it.

In the current environment of constrained fiscal resources and looming cuts in the defense budget, effective budget control and execution offer an opportunity for the Naval Security Group to continue to achieve its planned fiscal goals without sacrificing mission accomplishment. This guide should provide Naval Security Group Commanding Officers, Officers in Charge and Department Heads with a basic understanding of the budget execution process and their individual roles in it.

## II. INTRODUCTION TO NAVY FINANCIAL MANAGEMENT AND FLOW OF FUNDS

### A. INTRODUCTION

In this era of increasingly austere budget climates, efficient and effective financial management is more important and more difficult than ever before. Navy financial managers are competing for increasingly scarce federal funds and are operating in an environment of expanded oversight to ensure funds are spent effectively and efficiently. [Ref. 1:p. 1-1]

Effective financial management is a critical element in accomplishing the Department of the Navy's mission. It involves every component of the Navy organization, particularly Navy financial managers. Naval Security Group Commanding Officers (CO), Department Heads (DH) and Officers in Charge (OIC) as Navy financial managers have three primary responsibilities:

- \* obtain, through the budget formulation process, adequate funding to perform assigned command missions & achieve required objectives,

- \* to use funds appropriately, consistent with legal and administrative constraints, and

- \* use financial resources efficiently and effectively to preclude recoupment by higher authority.

If Naval Security Group Commanding Officers, Officers in Charge and Department Heads, as financial managers, are to contribute to improved financial management within the Department of the Navy, they will have to know and better understand the critical aspects of Navy financial management, particularly budget execution.

#### B. FLOW OF FUNDS

As a result of the annual congressional budget process, authority to obligate/ expend funds is passed down through the Department of Defense/Department of the Navy to various echelons, including Naval Security Group Command and its activities, departments, and detachments.

Funding authority is granted by Congress in the form of various appropriations, each of which is granted for specific purposes and durations. An appropriation is an authorization by act of Congress that provides budget authority for federal agencies to incur obligations (legally reserve funds) and to make payments out of the Treasury for specific purposes.

Naval Security Group Command, as a major claimant for 48 separate activities, departments and detachments in 21 countries, receives funding in the following appropriation categories:

### **1. Operations & Maintenance, Navy (O&M,N)**

Operations & Maintenance, Navy is an annual appropriation which finances the cost of day-to-day, on-going operations and maintenance of Navy activities. The funds pay for: base operations support (BOS), civilian personnel (CIVPERS) salaries and fringe benefits, maintenance of real property (MRP), depot level repairables (DLR), training requirements, etc. For most activities, the O&M,N appropriation provides the majority of their operating budget/allotment funds.

### **2. Research, Development, Test & Evaluation, Navy (RDT&E,N)**

Research, Development, Test & Evaluation, Navy (RDT&E) is a multiple year appropriation which finances the cost of scientific research, development, test and evaluation of new and improved existing weapons systems and related support equipment. This work is generally performed at Navy R&D laboratories and under contract by industrial firms, universities and some non-profit organizations.

### **3. Other Procurement, Navy (OP,N)**

Other Procurement, Navy is a three year appropriation which finances the procurement, production and modernization of equipment not provided for in the other appropriation categories. Equipment exceeding \$15,000 in value (i.e., motor vehicles, computer suites, signal



processing equipment, etc.) is generally purchased with OP,N funds. OP,N is an investment type appropriation.

#### 4. Military Construction, Navy (MC,N)

Military Construction, Navy provides financing for the purchase of land and for construction of Department of the Navy installations and facilities. MILCON is an investment type appropriation.

As a result of the apportionment process, one-year or annual appropriations are allocated on a quarterly basis; multi-year appropriations are allocated on an annual basis. Naval Security Group O&M,N funding is an annual appropriation and funds are allocated on a quarterly basis. Naval Security Group RDT&E and Military Construction (MILCON) funding are multi-year appropriations and these funds are allocated on an annual basis.

#### C. FLOW OF FINANCIAL INFORMATION

Within the Department of the Navy, the comptroller (NAVCOMPT) allocates or suballocates appropriated funds internally by allocation to major claimants following approval by the Chief of Naval Operations (CNO) (the Responsible Office (RO)) and the Secretary of the Navy (SECNAV). The Assistant Secretary of the Navy for Research, Development and Acquisition (ASN (RDA)) is the Responsible Office for RDT&E funds. The CNO is the Responsible Office (RO) for all other Navy appropriations. The CNO's

comptroller (OP-82) reallocates O&M.N funds to major claimants through CNO Allocation. This allocation serves to:

- \* control the rate of obligation and expenditure of funds over their intended period.
- \* ensure effective and efficient use of funds.
- \* preclude deficiency and supplemental appropriations.
- \* release funds as required, and
- \* preclude obligations and/or expenditures which exceed authorized amounts (Title 31 United States Code, Section 1517).

As the headquarters command for Naval Security Group Activities, Departments, and Detachments. Naval Security Group Command is one of 23 Navy administering offices (AO)/major claimants. A major claimant is a bureau/office, command/headquarters, which is designated an administering office (AO) under the Operation and Maintenance appropriation [Ref. 2: Chapter 2]. CNSG is a headquarters assigned responsibility for budgeting, accounting, reporting, and controlling obligations and assigned expenditures for programs financed under appropriations or subdivisions of an appropriation. Navy major claimants receive their operating budgets directly from the Chief of Naval Operations Fiscal Management Division (OP-82). Figure 1 shows the flow of funds from Congress to the individual Naval Security Group cost center. COMNAVSECGRU passes

Allotments/Operating Budgets (OB) to their field Activities and Departments (Fund Administering Activities (FAA)/Responsibility Centers) via the two following funding authorization documents:

1. NAVCOMPT Form 2168-1 Resource Authorization

The NAVCOMPT Form 2168-1 Resource Authorization (see Figure 2) specifies the total direct operating budget (allotment), the legal limits, and the restrictions (fences - ceilings and floors) on the funds.

A ceiling is an imposed maximum amount of an appropriation which is designated for a specific purpose, (i.e., travel funding). The ceiling is imposed by the Administering Office. This maximum may not be exceeded without AO approval. Ceilings are specified in the "Remarks" section of the Resource Authorization NAVCOMPT Form 2168-1.

Floors are a minimum amount of an appropriation (imposed by the Administering Office) which is designated for a specific purpose, (i.e., Maintenance of Real Property).

Fund Administering Activities are prohibited from spending less than the minimum amount of the imposed floor. Floors are also specified in the "Remarks" section of an activity's Resource Authorization NAVCOMPT Form 2168-1. The Resource Authorization is an Allotment, but is also known as an Operating Budget, or *OPBUD*.

# DIRECT FUNDING

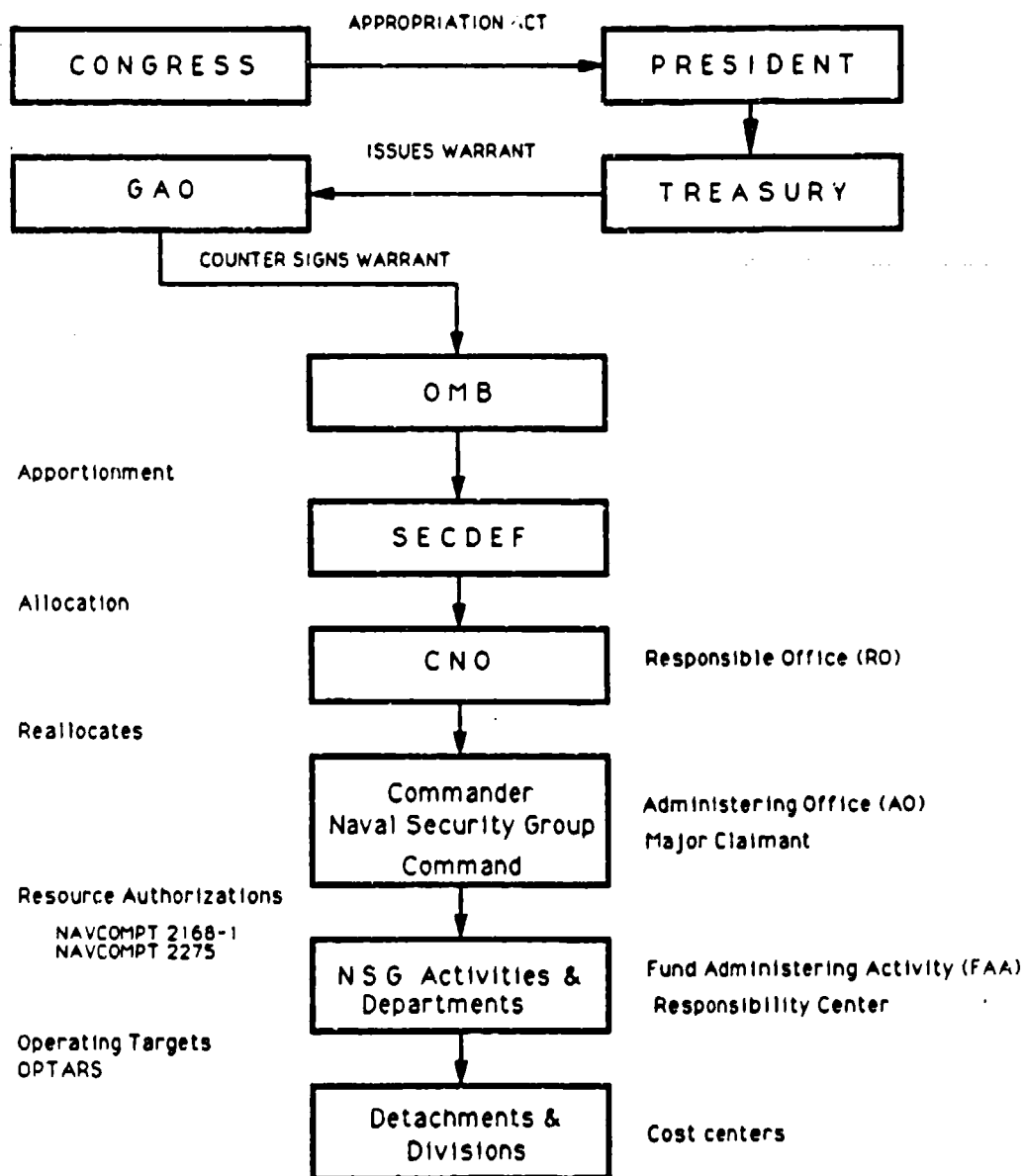


Figure 1. Flow of Funds

2. NAVCOMPT Form 2275 Reimbursable Work Order/Order for Work and Services

This is a request (shown in Figure 3) to provide a product or service to the requestor which may entail the expenditure of labor, material, services or subcontractual support to fulfill the request with the funds coming from outside the Operating Budget/Allocation. Commander, Naval Security Group typically uses this form to issue budgets for Detachments with relatively small budgets and limited supporting comptroller organizations.

The FAAs, in turn, usually issue Operating Targets (OPTARs) to their departments, detachments and divisions (cost centers (CC)). An operating target (OPTAR) is a budget provided by the fund administering activity to its cost centers. Typically signed by the Commanding Officer, it sets administrative limits on the use of funds vice legal limits (Title 31 USC, Section 1301/1517).

**RESOURCE AUTHORIZATION**  
FORM 2168-1

<b>FROM</b> COMPTROLLER, NAVAL SECURITY GROUP COMMAND 3801 NEBRASKA AVENUE, N.W. WASHINGTON, DC 20391-5210	<b>TO</b>	COMMANDING OFFICER NAVAL SECURITY GROUP ACTIVITY BOX 212 PEARL HARBOR, HI 96860-5035	NEW AUTHORIZATION Check Here _____ AMENDMENT NO 4 _____
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APPROPRIATION NO.		SUB-HEAD		CB NUMBER	
1701804		.6730		63901	
TOTAL DIRECT EXPENSES (In Thousands)			TOTAL DIRECT OPERATING BUDGET (In Thousands)		NEW OBLIGATIONAL AUTHORITY (In Thousands)
QUARTER	Increase (Decrease)	Quarterly Amount	QUARTER	Increase (Decrease)	Quarterly Amount
First	00.0	\$380.7	First	00.0	\$380.7
Second	00.0	\$236.4	Second	00.0	\$236.4
Third	00.0	\$237.7	Third	00.0	\$237.7
Fourth	09.5	\$153.5	Fourth	09.5	\$153.5
<b>TOTAL</b>	<b>09.5</b>	<b>\$1,008.3</b>	<b>TOTAL</b>	<b>09.5</b>	<b>\$1,008.3</b>

**REMARKS**

1. Of the above amounts \$1,008,300 under .6730 is equal to the MDA under ODA and are subject to 31 U.S. Code 1517 (formerly Section 3679, R.S.). These amounts are automatically increased by amounts not to exceed the value of reimbursable orders for work and services received and accepted.
2. Audit trail is attached.
3. Acknowledge receipt of this document by message.
4. Includes civpay dollars for the following UIC: 063901

Copy to:  
 PACOMC (ET PEARL HARBOR HI (w/o audit trail))

Date of Approval	Typed Name of Authorized Officer	Signature Approval of Authorized Officer

Figure 2. NAVCOMPT Form 2168-1 Resource Authorization

ORDER FOR WORK AND SERVICES-NAVCOMPT FORM 2275 (REV 8-81) SAN 8104-LF-702-2751

1. THIS ORDER MUST BE ACCEPTED ON A REIMBURSABLE BASIS ONLY AND IS SUBJECT TO THE CONDITIONS LISTED ON THE REVERSE SIDE.										2. DOCUMENT NUMBER 800069-90-WR-75010	
3. REFERENCE NUMBER		4. FUNDS EXPIRE ON		5. WORK COMPLETION DATE		6. DATE PREPARED		7. AMENDMENT NO.			
		30 SEPT 90		30 SEPT 90		2 AUGUST 90		THREE			
8. FROM: COMPTROLLER, NAVAL SECURITY GROUP COMMAND 3801 NEBRASKA AVE. NW WASHINGTON, D.C. 20393-5210					9. FOR DETAILS CONTACT: J. COHEN (CDR) 202 282-0795 L. LINDSEY (AW) 292-0795						
10. TO: SUPERINTENDENT NAVAL POSTGRADUATE SCHOOL MONTEREY, CA 93940  UTC:					11. MAIL BILLINGS TO:						
12. ACCOUNTING DATA TO BE CITED ON RESULTING BILLINGS											
A.	B.	C.	D.	E.	F.	G.	H.	I.	J.	K.	
ACRN	TTION	HEAD	CLASS	CONTROL	BA	ANA	TT	PMA	COST CODE	AMOUNT	
AS	1701804	6930	000	00069	0	800179	20	875010	8006906082H	810,000.00	
L.									TOTAL THIS DOCUMENT : 810,000.00		
M.									CUMULATIVE TOTAL : 866,200.00		
13. THIS ORDER IS PLACED AS A PROJECT ORDER, AN ECONOMY ACT ORDER AND IS TO BE ACCOMPLISHED ON A FILED COST REIMBURSABLE BASIS. WHEN THE FIRST BLOCK IS CHECKED, THIS ORDER IS PLACED IN ACCORDANCE WITH THE PROVISIONS OF 41 U.S. CODE 23 AND DOD DIRECTIVE 7220.1. THE FOLLOWING SUPPLEMENTARY ITEMS ON REVERSE ALSO APPLY AND ARE IN INTEGRAL PART OF THIS ORDER: 1,2,3,4,5,6,7,8,9.											
14. DESCRIPTION OF WORK TO BE PERFORMED AND OTHER INSTRUCTIONS											
1. ADDITIONAL FUNDS ARE HEREBY PROVIDED TO BE USED FOR THE COMPLETION OF SELF HELP PROJECT.											
2. REQUEST ONE SIGNED COPY OF ACCEPTANCE WITHIN FIVE DAYS AFTER RECEIPT OF THIS DOCUMENT. (ATTN: GDS).											
3. SUBMIT NAVCOMPT 2193 STATUS OF REIMBURSABLE ORDERS (AN NAVCOMPT MANUAL 35416											
15. I CERTIFY THAT THE FUNDS CITED ARE PROPERLY CHARGEABLE FOR THE WORK OR SERVICES REQUESTED					AUTHORIZING OFFICIAL (NAME, TITLE AND SIGNATURE)  L. LINDSEY BY DIRECTION			DATE  2 AUGUST 90			
16. THIS ORDER IS ACCEPTED AND THE WORK OR SERVICES WILL BE PROVIDED IN ACCORDANCE HERewith					ACCEPTING OFFICIAL (NAME, TITLE AND SIGNATURE)			DATE			

Figure 3. NAVCOMPT Form 2275 Order For Work And Services

#### **D. LEGAL LIMITS ON THE USE OF FUNDS**

##### **1. Title 31 United States Code (USC), Section 1517**

Naval Security Group Activity Commanding Officers who receive their activity's allotments via the NAVCOMPT Form 2168-1 are ultimately responsible for the financial management of their activities and have complete legal responsibility for funds management under Title 31, United States Code (USC), Section 1517 of the Anti-Deficiency Act.

The ANTI-DEFICIENCY ACT, Title 31 United States Code Section 1341, 49-50; 1512-14, 17-19:

- (1) prohibits the authorization or incurring of obligations or expenditures in excess of amounts apportioned by the Office of Management and Budget (OMB) or in excess of amounts permitted by agency regulations;
- (2) establishes procedures for determining the responsibility for violations and for reporting violations to the President, through the Office of Management and Budget, and to the Congress;
- (3) provides provisions for penalties that may include removal from office, a \$5,000 fine, or imprisonment for two years;
- (4) outlines requirements for the apportionment of appropriations, funds or contract authority;
- (5) forbids the involvement of Government in any contract or obligation to pay money in advance of any appropriation;
- (6) requires the apportionment by months, quarters, other regular periods, by activities or functions or a combination of both methods; and
- (7) requires the head of each agency to issue regulations establishing an administrative control system with a dual purpose: first, to



keep obligations with the amount of the apportionment; and second, to enable the agency to fix responsibility for making obligations in excess of the apportionment. [Ref. 3]

## 2. Title 31 United States Code, Section 1301(A)

This provision of law dealing with the application of monies appropriated by Congress requires that these funds be used only for the purposes for which the appropriation is made. The law states: "Appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law." [Ref. 4]

This law provides that funds appropriated for Operations and Maintenance expenses, such as utilities or building repairs, may not be used for investments such as procurement of a large computer or a passenger van.

Title 31 USC, Section 1517 responsibility is delineated in the "Remarks" section of the activity's Resource Authorization NAVCOMPT Form 2168-1.

A violation of Title 31 USC Section 1301 usually occurs as a result of confusion in understanding the difference between expenses and investment costs. In cases where funds have been expended for purposes other than those which they were intended (violation of Title 31 USC, Section 1301), adjustments must be made to bring the affected account back into balance. These adjustments may result in the overobligation/overexpenditure of the appropriated funds account (violation of Title 31 USC, Section 1517). If the

adjustment results in overobligation, a violation of Title 31 USC, Section 1301 becomes a violation of 31 USC, Section 1517 and must be reported. [Ref. 5: para. 032011]

Title 31 USC, Section 1301/1517 violation reports can have visibility all the way to the Executive Office of the President. Title 31 USC violation visibility is shown in Figure 4.

#### **E. APPROPRIATED (DIRECT) FUNDS FOR NAVAL SECURITY GROUP ACTIVITIES, DEPARTMENTS AND DETACHMENTS**

Naval Security Group activities and departments can receive appropriated funds from both expense and investment type appropriations. Expense type appropriations finance the cost of day to day operations (O&M,N funds) and have an obligation availability period of one fiscal year. Obligation availability period is the specific period during which the appropriation is available for obligation. The duration of this period is consistent with the funding characteristics of the appropriation. Investment type appropriations (OP,N) are for end items rather than daily operations support materials (i.e., motor vehicles, computers, signal processing equipment, etc.) and have an obligation availability period of three years. Other Procurement, Navy (OP,N) funds finance the procurement, production and modernization of equipment with a value greater than or equal to \$15,000, not otherwise provided for by other appropriations.

### Title 31 USC (1517) Violation Visibility

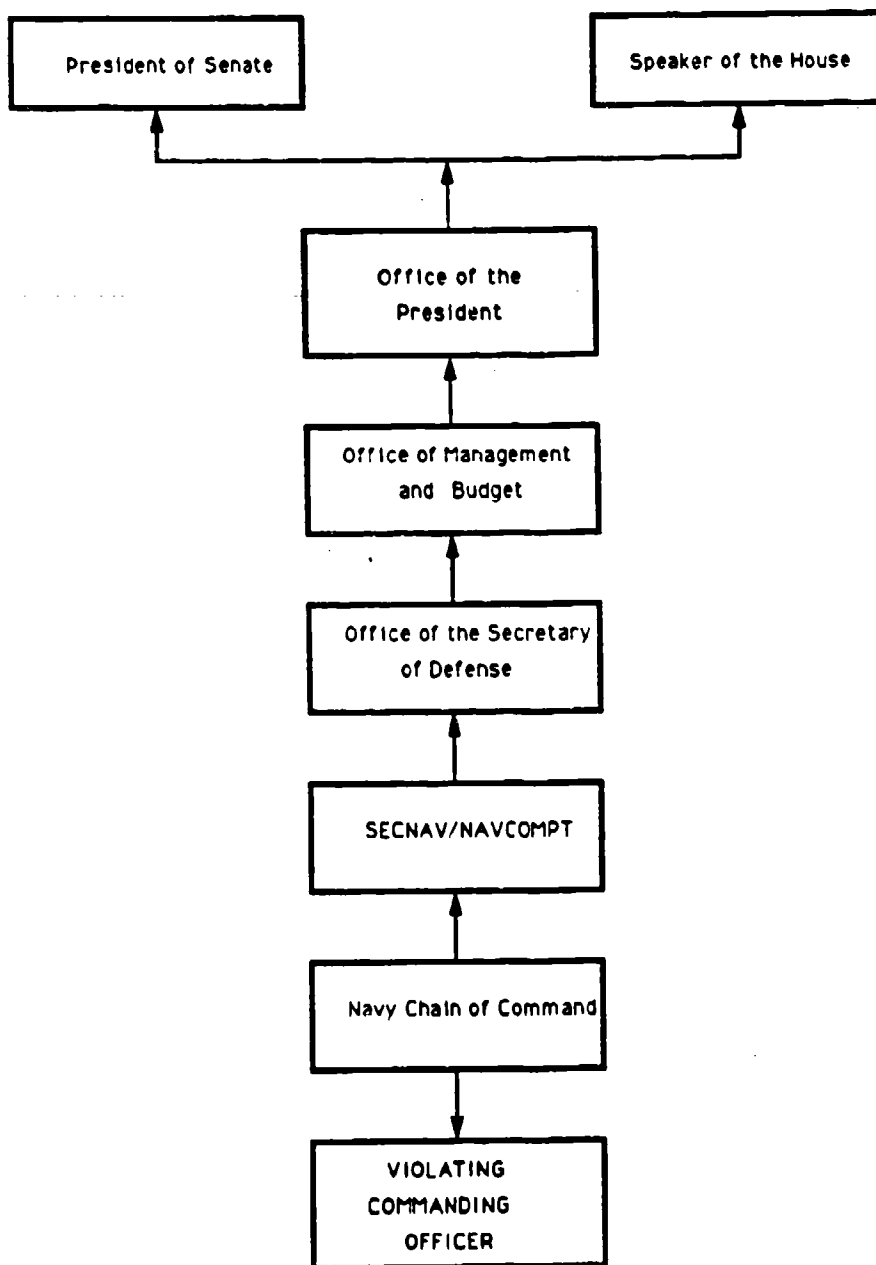


Figure 4. Title 31 USC Violation Visibility

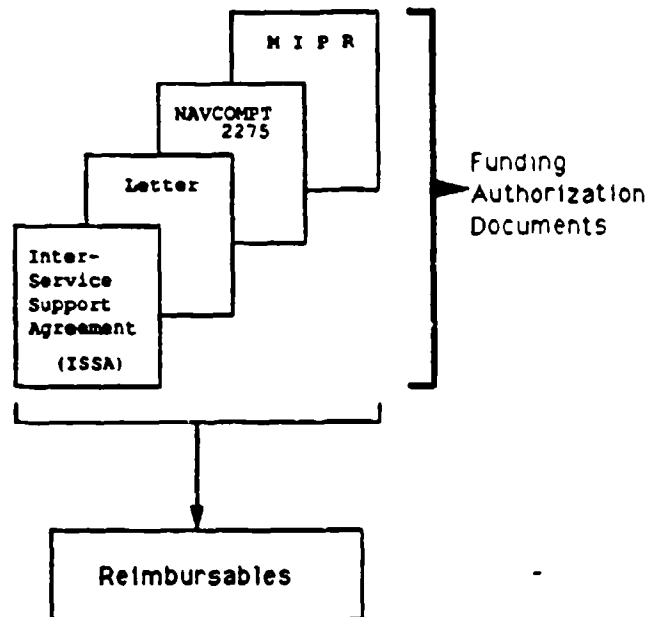
## F. REIMBURSABLE FUNDS

While most Naval Security Group Activities receive the majority of their funding directly from Naval Security Group Command in the form of allotments/operating budgets (Direct Funds), they can also receive funding laterally from other sources. This lateral transfer of funds is referred to as indirect or reimbursable funding. Reimbursable funding finances the costs related to work or services provided to others, either within the same DOD component or to another DON or non-DON component.

Naval Security Group activity and department reimbursable funding documents vary depending on the originating activity. Figure 5 illustrates the sources and types of funds and funding documents for reimbursable (indirect) funds. The fund administering activity generates a separate reimbursable account for accounting and billing purposes for each of these funding documents. Reimbursable funds from different activities should be handled as separate accounts to ensure that the funds are "used only for the purpose for which they were intended."

Reimbursable funds are provided to Naval Security Group activities, departments, and detachments by various authorization documents. If the fund originating activity is a Department of the Navy major claimant, funds may be

## Reimbursable Funding



Sources	Types of documents
1. Navy	NAVCOMPT 2275
2. Army, Air Force	Military Inter-departmental Procurement Request, ISSA
3. Private companies	Letters
4. Other government agencies	MIPR, Letter, ISSA

Figure 5. Sources and Types of Funds

transferred on a NAVCOMPT Form 2275, Order for Work and Services. Funds from the Department of the Army or Air Force are generally transferred to Navy activities on a Military Interdepartmental Procurement Request (MIPR) as shown in Figure 6. A Military Inter-departmental Purchase Request (MIPR) is a procurement order issued by one military service to another military service to procure, produce or deliver services, supplies or equipment to or for the ordering service. Reimbursable funds may also be transferred by letter or by Interservice Support Agreement (ISSA). Interservice support is support provided by one federal agency or subdivision to another federal agency, or subdivision when at least one of the participating agencies or subdivision is the Department of Defense or a DOD component. Intrasevice support is action on the part of one activity to provide support to another activity within the same DOD component, agency or service.

The NAVCOMPT Form 2275, MIPR and ISSA represent the majority of documents which transfer reimbursable funds to Naval Security Group activities, departments, and detachments. All of these reimbursable funds become part of the activities' or departments' total obligational authority (TOA). Total obligational authority is the total amount of both direct and indirect funds available for obligation, including both New Obligational Authority as well as prior year, unexpired obligational authority.

MILITARY INTERDEPARTMENTAL PURCHASE REQUEST					PAGE 1 OF 1 PAGES	
FSC	CONTROL SYMBOL NO.	DATE PREPARED	MIPR NUMBER	AMEND NO		
		29 August 1990	DLIFLC 54-90	Initial		
TO SUPERINTENDENT CODE 212 Naval Postgraduate School Monterey, CA 93943			FROM (Agency, name, telephone number of originator) Defense Language Institute Foreign Language Center ATFL-RHB Presidio of Monterey, CA 93944-5006 Phone 408 647 5127			
ITEMS <input type="checkbox"/> ARE <input type="checkbox"/> ARE NOT INCLUDED IN THE INTERSERVICE SUPPLY SUPPORT PROGRAM AND REQUIRED INTERSERVICE SCREENING <input type="checkbox"/> HAS <input type="checkbox"/> HAS NOT BEEN ACCOMPLISHED						
ITEM NO	DESCRIPTION (Federal stock number, nomenclature, specification and/or drawing No. etc.)		QTY	UNIT	ESTIMATED UNIT PRICE	ESTIMATED TOTAL PRICE
1.	To provide support for the DLI Mission and Language Training Program					\$23,450.00
2.	Request copies of all billings be sent to: DLIFLC, Presidio of Monterey, CA 93944-5006  POC for this order is Anita R. Mainz 408 647 5127					
3.	Request two signed copies of this MIPR be provided to agency in Block 8.					
10 SEE ATTACHED PAGES FOR DELIVERY SCHEDULES, PRESERVATION AND PACKAGING INSTRUCTIONS, SHIPPING INSTRUCTIONS AND INSTRUCTIONS FOR DISTRIBUTION OF CONTRACTS AND RELATED DOCUMENTS						11 GRAND TOTAL \$23,450.00
12 TRANSPORTATION ALLOTMENT (Used if FOB Contractor's plant)			13 MAIL INVOICES TO (Payment will be made by)			
PAY OFFICE DODAAD						
14 FUNDS FOR PROCUREMENT ARE PROPERLY CHARGEABLE TO THE ALLOTMENTS SET FORTH BELOW THE AVAILABLE BALANCES OF WHICH ARE SUFFICIENT TO COVER THE ESTIMATED TOTAL PRICE						
ACRN	APPROPRIATION	LIMIT	SUPPLEMENTAL ACCOUNTING CLASSIFICATION		ACCTG STA	AMOUNT
	2102020 0000 57	069 P8	18612.00 26EB APC R619 NIPRO000005490			\$23,450.00
15 AUTHORIZING OFFICER (Type name and title) CAROLINE J. BOTTGER, Budget Officer			16 SIGNATURE <i>Caroline J. Bottger</i>		17 DATE 29 August 1990	

Figure 6. Military Inter-departmental Purchase Request

## **G. WHEN CAN A FUND ADMINISTERING ACTIVITY RECEIVE FUNDS?**

A Fund Administering Activity can receive funds at any time throughout the fiscal year. However, there are five primary periods when FAAs typically receive funds. Those periods are:

### **1. At The Beginning of The Fiscal Year (FY)**

The AO typically passes funds to the FAA by 1 October of each fiscal year. However, when Congress fails to pass the budget by 1 October, it may pass a continuing resolution (CR) which is signed by the President. If a CR is passed, CNSG will notify its operating budget/allocation holders that they are authorized to obligate and expend new fiscal year funds at a specific obligation rate. The obligation/expenditure rate is usually at or below the obligation rate used in the previous fiscal year. There are no adjustments for inflation. This guidance also stipulates that there will be no new starts without specific approval (i.e., subsequent passing of the federal budget). A new start is any project or program not previously approved in the prior fiscal year for funding.

### **2. At The Beginning of Each Subsequent Quarter**

For annual appropriations, funds are allocated to the fund administering activity on a quarterly basis.

### **3. After Mid-year Review**

Some headquarter's funding is held in reserve to fill contingency requirements. At mid-year review, some of



these funds are released to activities with demonstrated financial needs. Mid-Year review is a formal review of budget execution by the entire Navy chain of command. During mid-year review, NSG elements' actual budget performance data for the six-month period ending 30 March of the current fiscal year is contrasted with the budgeted targets for comparison between planned budget performance and actual budget performance.

Mid-year review serves two primary purposes:

- \* evaluates budget execution performance to date and
- \* reviews projected requirements for the remainder of the year, with particular emphasis on providing resources for unfunded deficiencies and recouping funds from responsibility centers which have unsatisfactory obligation/expenditure rates.

Maintaining a current unfunded deficiency/requirements list is critical to successful budget execution. The activity should anticipate that their annual planning figure will not be sufficient to fund all of the command's requirements. Therefore, the command should maintain a detailed list of prioritized unfunded requirements/ deficiencies. This list should be collated from the individual cost centers and then prioritized within the command.

This list accomplishes two objectives. Primarily, it enables the command to go on the record having identified those resources necessary to accomplish its mission for

which funding has not been identified. Secondly, it provides the command with a ready list of prioritized needs it will be able to fulfill should unanticipated funds be made available from CNSG.

CNSG requires its commands to maintain prioritized lists of unfunded deficiencies [Ref. 6]. These deficiency lists assist CNSG in deciding which items warrant fund augmentation for a particular activity. In addition to a detailed unfunded requirements/deficiencies list, each activity's budget request should contain requirements for the following two years which were previously requested and denied or emergent items, not previously requested, but considered essential to fulfilling the command's mission. Commands with detailed lists of prioritized unfunded deficiencies have greater success in satisfying budget requirements than those without. The importance of maintaining valid, specific, up-to-date and accurate unfunded deficiency lists cannot be overemphasized.

#### **4. At The End of The Fiscal Year**

If any reserves remain from mid-year review or funds become available from an activity unable to obligate all allotted funds, these funds are released to activities with demonstrated financial needs.

#### **5. At Any Time Between Quarters**

Maintaining current prioritized lists of requirements allows the FAA to respond immediately if CNSG

should release funds between quarters. The FAA should be prepared, at any time during the quarter, to provide the status of their budget execution performance to date.

### III. NAVY ACCOUNTING SYSTEM

#### A. INTRODUCTION

The primary purposes of the Navy accounting system are threefold: first, to report the use of funds under the various appropriation categories granted to the Navy by Congress; secondly, to control the obligation and expenditure of funds and thus prevent exceeding of limitations imposed by Congress (to avoid Title 31 USC 1517 violations); and finally, to provide a basis for analysis of budget execution (to assist the major claimant judge budget execution performance and make allocation decisions). [Ref. 1:pp. 11-3, 11-4]

The Navy's Resource Management System (RMS) is the formalized system by which the Navy tracks and accounts for financial resources provided to and employed by Navy ashore commands within the operations and maintenance appropriation. It provides a uniform system for accounting, budgeting and managing funds. This system provides information to all levels (cost center, fund administering activity, major claimant and NAVCOMPT) of management.

#### B. PRINCIPAL ORGANIZATIONS INVOLVED

There are four principal organizational levels involved in the accounting for funds and the monitoring of budget

execution at Naval Security Group Activities, Departments and Detachments. These organizations are:

- \* the Financial Information Processing Center (FIPC)/ Authorization Accounting Activity (AAA),

- \* the Fund Administering Activity (FAA),

- \* the Cost Center (CC), and

- \* the Administering Office (AO) (major claimant).

The functions and relationships of these organizations are integrated to provide adequate control mechanisms which will ensure that accurate financial information will be provided to higher authority.

1. Financial Information Processing Center (FIPC)/ Authorization Accounting Activity (AAA)

A Financial Information Processing Center (FIPC) is the activity assigned to perform the official accounting for Naval Security Group Activities and Departments (e.g., Fund Administering Activity (FAA)/Responsibility Centers). FIPCs are also referred to as Authorization Accounting Activities (AAA) or "*triple As*". FIPC/AAAs are financial service organizations whose mission is to provide authorization accounting and reporting for operating budgets/allotments, commercial bill paying, disbursing, civilian payroll, plant property accounting and financial reporting of cash transactions for customer activities (FAAs).

The FIPC/AAA's records are the only documents recognized as legal and official records reflecting the true financial

performance of a fund administering activity. The FIPC/AAA acts as a disinterested third party which consolidates the unofficial fund administering activity's financial transaction information and provides the official accounting data and financial management reports to Commander, Naval Security Group (or other major claimants as required). This organizational relationship functions as a control mechanism, in that the FIPC/AAA cannot be influenced by and has no motivation to manipulate financial data provided by the Fund Administering Activity (responsibility center).

The FIPC/AAA generates the official records which provide the basis for CNSG evaluation of NSG activity and department budget execution performance. The FIPC/AAA provides these official records to the major claimant on a continuing basis to facilitate evaluation of an activity's obligation rates, unliquidated obligations, travel advances, etc. Based on official FIPC/AAA records, the major claimant makes a determination whether to recoup or grant additional funds periodically throughout the year, at mid-year review, and during the final days of the fiscal year. It is incumbent on the fund administering activity, beginning at the cost center level, to ensure that the official FIPC/AAA records accurately reflect the activity's budget performance as depicted in local financial records. This is accomplished through timely reconciliation of FIPC/AAA records with activity memorandum accounting records.

## 2. Fund Administering Activity (FAA)

All Naval Security Group activities and some Naval Security Group departments and detachments are considered Fund Administering Activities (FAA). A Fund Administering Activity (FAA) is an activity for which an Authorization Accounting Activity (AAA) performs accounting. This is the lowest level at which official accounting is performed and where obligations/undelivered orders are recorded.

Each of the 48 separate NSG activities (Fund Administering Activities) maintains their own set of local memorandum records. These records are individually developed by the various Security Group activities to support their particular record keeping requirements for accounting transactions. These records, regardless of how accurate they may be, are not recognized as official records because they are transparent to the major claimant. These records are highly susceptible to error due to incorrect data entry. Data entry errors in the transaction process may occur at the cost center, fund administering activity and/or the FIPC/AAA levels. Therefore it is important that the cost center and FAA/responsibility center maintain accurate, up-to-date records as backup data to verify/reconcile official FIPC/AAA records.

Specific fund administering activity responsibilities include:

**a. *Introduction of Funding Authority***

This is accomplished by promptly inputting NAVCOMPT Form 2168-1 Resource Authorization, NAVCOMPT Form 2275 Order for Work or Services, and other funding authorization data to the FIPC either electronically or by mail.

**b. *Introduction of Commitment, Obligation, and Expense Transactions***

The fund administering activity is responsible for instituting an accounting and financial control system which is adequate to support its management needs. The FAA must maintain timely records with sufficient detail and accuracy to facilitate reconciliation of unofficial FAA memorandum records with those of the FIPC/AAA. The fund administering activity is responsible for promptly providing the FIPC/AAA with obligation data. As with fund authorization data, obligation and expense data can be transmitted to the FIPC electronically or by mail.

**c. *Management of Resources***

While the FIPC/AAA maintains the FAA's official accounting records, the onus is on the activity to manage and control its financial resources.



#### ***d. Exercising of Financial Controls***

Commanding Officers are charged with operating their activities efficiently and effectively. They are tasked with managing their activity's financial resources in a manner which will help prevent loss, unauthorized use, illegal and unethical acts and unnecessary publicity. The CO is also responsible for establishing a financial control system that provides reasonable assurance that the fund administering activity's financial objectives can met. Essential elements of an effective financial control system are: Standard Operating Procedures (to provide a ready source of knowledge about how things are done), organizational structure (to support enforcement of the standard operating procedures), command awareness and proficiency training (to improve and maintain SOP proficiency), and review and recognition (to reward compliance and correct deficiencies).

#### **3. Cost Center**

The Cost Center is a subdivision of a fund administering activity (FAA). At a Naval Security Group Activity, a cost center is typically a detachment, department or division. This is the lowest level of accounting within an FAA. Operating Targets (OPTARs) are assigned to the Cost Center by the FAA. The Commanding Officer of the activity should issue the cost center OPTAR

by letter or memorandum. Written OPTARs signed by the Commanding Officer serve several purposes:

- \* **reduces confusion** (i.e., eliminates the possibility of misunderstanding - "...the skipper said go ahead and buy it.").
- \* **sets limits on purpose** for which funds may be obligated/expended, and
- \* **sets administrative limits on the amount of funds** which can be obligated/expended.

An OPTAR carries administrative limits, vice legal limits (e.g., no Title 31 USC 1301/1517 responsibility) on obligation and expenditure of funds.

#### **4. Administering Office (AO)**

CNSG is a headquarters assigned responsibility for budgeting, accounting, reporting, and controlling obligations and assigned expenditures for programs financed under appropriations or subdivisions of an appropriation. This responsibility is assigned by the Chief of Naval Operations. The Administering Office (also called the Field Support Activity (FSA)) allots funds to Naval Security Group Activities, Departments and Detachments. Commander, Naval Security Group Command is the major claimant for 48 separate activities in 21 different countries. **CNSG is the Administering Office for Naval Security Group funds.** NSG activities are served by a multitude of FIPC/AAAs worldwide. These various FIPC/AAAs maintain the official financial records for all Naval Security Group (NSG) activities and provide the official accounting reports to Naval Security

Group Command (major claimant) and to the Chief of Naval Operations (responsible office (RO)).

### C. THE ACCOUNTING TRANSACTION CYCLE

The accounting transaction cycle as depicted in Figure 7 is a complex process used to record the obligation and expenditure of funds.

(Step A) - The transaction process begins with the requirement for material or the performance of a service.

(Step B) - The activity (usually at the cost center level) prepares a requisition to place an order for the material or services required.

The requisition typically identifies the cost center (within the FAA/responsibility center) requesting the material or service, describes the item, and estimates the price of the item.

Accounting data are assigned to the requisition when it is prepared. A typical Navy accounting spread is shown below [Ref. 1: p. 10-28]:

	AA	1711804.6920	000	03461	0	001819	2D	VA	001	034610	ABCDEF	Q
Accounting Data Classification												
(1) Appropriation Data												
(2) Appropriation Subhead												
(3) Object Class												
(4) Bureau Control Number/UIC												
(5) Suballotment												
(6) Authorization Accounting Activity												
(7) Transaction Type												
(8) Property Accounting Activity												
(9) Cost Code												

The classification code used on all accounting documents will generally follow the above format. It is explained below:

1. **appropriation** (seven digits) 17 1 1804

Navy	_____	
Fiscal Year	_____	
Operations & Maintenance	_____	

Naval Security Group Command receives funds under Operations and Maintenance, Navy (1804), Research, Development, Test and Evaluation (1319), Other Procurement, Navy (1810) and Military Construction (1205).

2. **subhead** (four digits)

Naval Security Group Command subheads are .6920 (General Purpose Forces), .6930 (Intelligence and Communications), and .6970 (Central Supply and Maintenance).

3. **object class** (three digits)

For Naval Security Group elements this will always be three zeroes (000).

4. **bureau control number** (five digits)

Identifies the operating budget holder by unit identification code (UIC).

5. **suballotment** (one digit alpha/numeric code)

Is used when more than one operating budget is issued to a single UIC under the same subhead. When a suballotment is not used this field will be a zero (0).

## Accounting Transaction Cycle

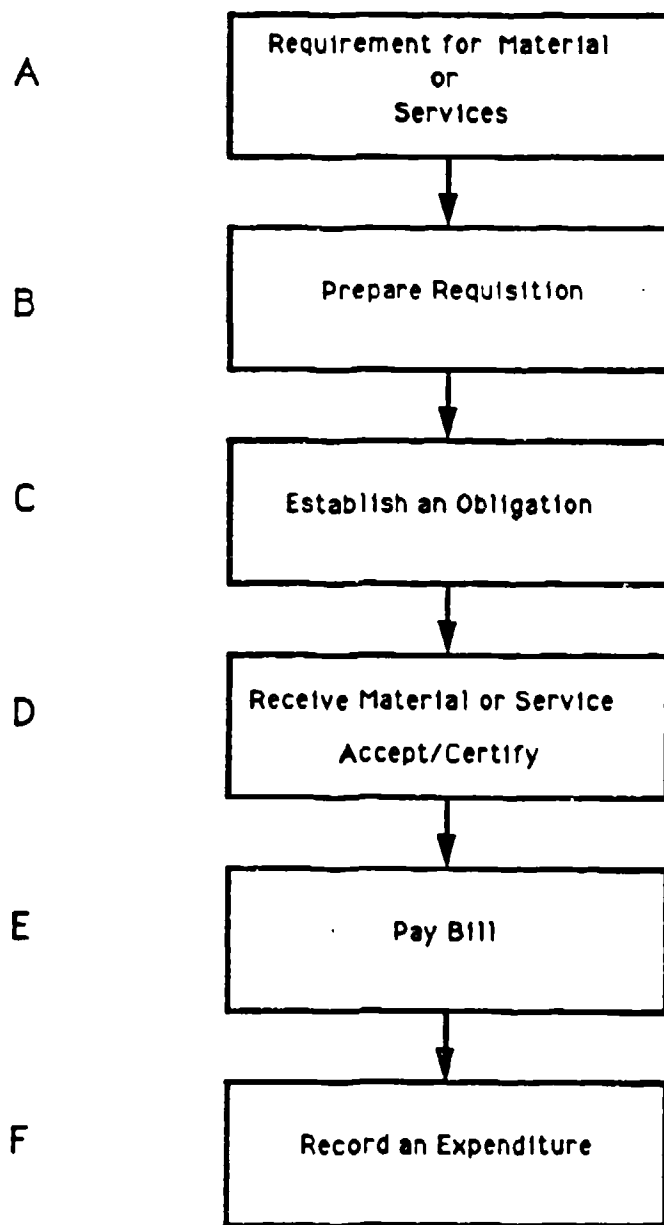


Figure 7. Accounting Transaction Cycle

6. **authorization accounting activity (AAA) (six digits)**  
Identifies the authorization accounting activity by UIC.
7. **transaction type code (two digit alpha/numeric code)**  
2T - repairs of materials in store other than stock funds  
1K - military and civilian travel advances  
2D - all other transactions
8. **property accounting activity (six digits) all zeroes**
9. **cost code (twelve digits)**  
Operating budget holder UIC plus six digit alpha numeric code for local job order number.

The requisition is assigned a document number and/or a job order number (JON). A typical Navy document/job order number includes at least 14 digits. Each digit provides a breakdown by purpose for which the funds are being obligated. Fund Administering Activities use job order numbers to account for accrued expenses. Job order numbers facilitate tracking of requisition documents, identify who obligated/expended funds and specify the purpose for which the funds were used.

Job order numbers are recorded on all documents used for procurement or consumption of materials or services and to account for operating funds. Job order number elements are unique to each activity. However, a typical Naval Security Group job order coding system is shown on the following page.

# SAMPLE JOB ORDER CODING SYSTEM

2 X D ADAS 1 01 43451 A

Subactivity Group (Cryptologic Direct Support)	_____
Functional Category Code (SIGINT)	_____
Subfunctional Category Code (Operations)	_____
Cost Account Code (SIGINT TAD)	_____
Fiscal Year (last digit)	_____
Job Order Serial Number	_____
Additional Local Management Code (Command UIC)	_____
Cost Center Code	_____

The requisition is then recorded in the cost center's OPTAR log as an obligation. An obligation is a legal reservation of funds to make a future payment for material or services received.

This duty to pay is incurred as soon as an order is placed, or a contract is awarded for the delivery of goods or the performance of services. It is not necessary that goods actually be delivered, or services actually performed, before the obligation is created; neither is it necessary that a bill, or invoice, be received first. The placement of an order is sufficient. An obligation legally encumbers a specified sum of money which will require outlays or expenditure(s) in the future.

The obligation is subtracted from the available balance in the cost center's OPTAR log in much the same way that each new check is subtracted from the available balance in a checkbook as it is written. The OPTAR log serves as the "check register" for the cost center and serves as a secondary source of supporting data for the fund administering activity's memorandum accounting records.

The requisition is then forwarded to the Supply Department, Fiscal Office, Administrative Office or supply petty officer depending on the size of the originating Naval Security Group element. It is screened at this point for correctness (correct requisition form, document number, JON, price etc.).

(Step C) - If the requisition is correct at this point, the activity enters the requisition into its memorandum records as an obligation (these records provide "backup" data for FIPC records) and at the same time an obligation is also established with the activity's FIPC/AAA. The obligation is posted to the FIPC records for recording in the activity's official accounting records either via terminal (for those activities with computer connectivity) or by mail. This process is similar to the concept of establishing an "escrow account" for the activity. The obligation is established in the activity's account in the FIPC records and reserves a portion of an activity's funds for future payment of an invoice/bill.

(Step D) - The next step in the accounting transaction cycle is receipt of the material or services along with an invoice/bill for the actual cost. If all requirements are met (i.e., quantity, condition, correct item received), the activity accepts the material/service and certifies the invoice/bill for payment. The fund administering activity then forwards the invoice/bill to its FIPC/AAA for payment.



The item or service received will remain an obligation in local FAA accounting records until the FIPC/AAA pays the invoice/bill and records the expenditure.

(Steps E & F) - The FIPC/AAA matches the incoming invoice/bill's document number/JON with the previously established obligation in the FAA's account. The FIPC/AAA issues a check or transfers funds to the vendor and records an expenditure in the activity's official financial records. An expenditure is an actual payment of the invoice/bill. The cycle ends when the FIPC has matched the obligation to an expenditure, has liquidated the obligation in the FIPC records, and the activity has been notified (via transaction listings) that the funds have been expended. The accounting report transaction cycle is shown in Figure 8.

## Accounting Report Transaction Cycle

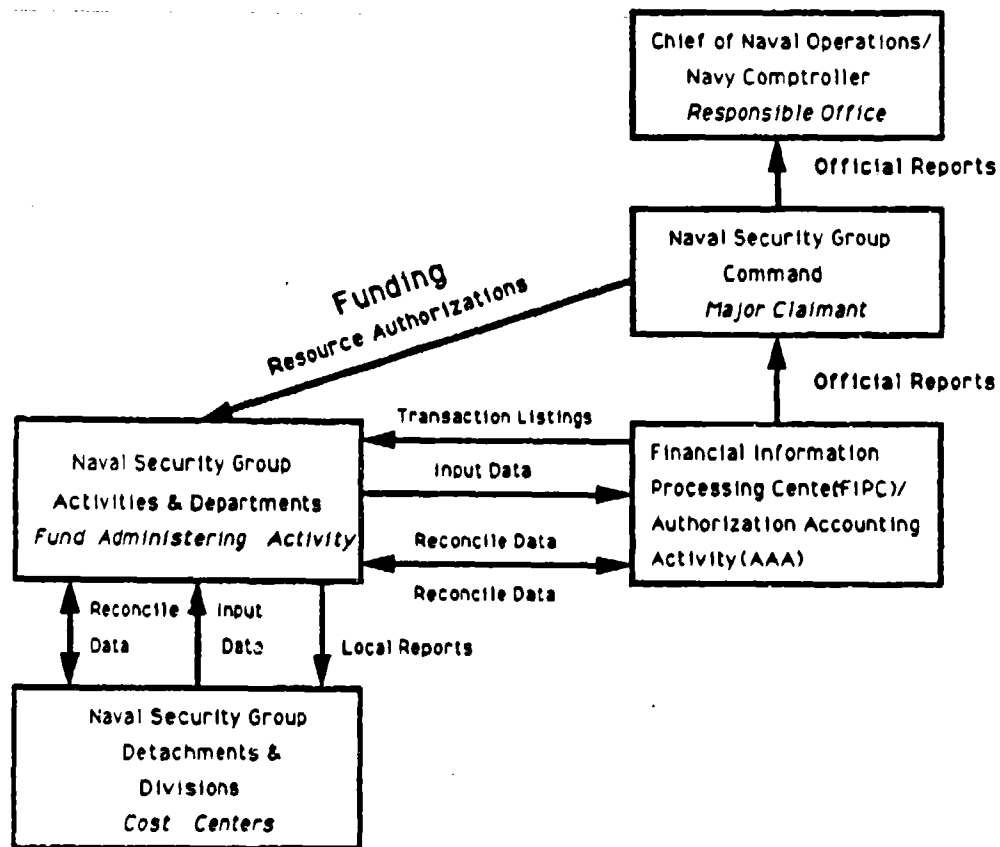


Figure 8. Accounting Report Transaction Cycle

## D. RECONCILIATION OF ACCOUNTING TRANSACTIONS

### 1. Introduction

One of the goals of the transaction reconciliation process is to ensure that unofficial cost center obligations match actual official obligations recorded in FIPC/AAA records. Cost Centers need to know real time financial status to prevent overobligation of FAA funds. The reconciliation process, compares obligations with expenditures, allows the FAA to make price adjustments, and allows the FAA/FIPC to correct errors in both official and local records. Local memorandum records provide a standard with which to reconcile FIPC data against. The transaction reconciliation process is shown in Figure 9.

Approximately 40% of all accounting transactions will require subsequent manual intervention (i.e., to correct data entry errors, to make price adjustments up/down, to take cancellation credit, and to correct accounting code data etc.) during the transaction process before official and unofficial "local" records are completely reconciled (e.g. FIPC/AAA official records match "official" records).

### 2. Purpose of Reconciliation

Activities (beginning at the cost center level) reconcile their unofficial local records with the official FIPC/AAA records to ensure the accuracy of all records. Financial records should be accurately maintained:

**a. To Preclude Title 31 USC, Section 1517  
Violations**

Prompt reconciliation of local "unofficial" records with the FIPC/AAA's official records can help preclude an overobligation of available activity funds.

The FIPC/AAA records are the legal records and an overobligation of activity funds in FIPC/AAA records is official even though local records show that the activity is not overobligated. It is important for the FAA to communicate with the FIPC/AAA on a regular basis, continuously providing timely corrections to transaction listings and other accounting reports upon which monthly financial reports are based.

**b. FIPC Reports Are The Primary Source of  
Fund Administering Activity Financial  
Performance to Commander, Naval Security  
Group Command**

FIPC/AAA records are the only official financial records of an activity. The burden is on the responsibility center to ensure that the FIPC records accurately reflect the budget performance of the activity.

**c. To Detect and Correct Errors:**

The wrong cost center or activity may have been charged for a transaction. The wrong job order may have been charged due to an incorrect JON. The cost center or job order may have been double charged for the same material or service.

### Obligational Recording/Reconciliation Cycle

#### COST CENTER

Obligation recorded in OPTAR log, then passed to activity controller department.

#### FUND ADMINISTERING ACTIVITY

Obligation recorded in activity memo records, then passed to FIPC.

#### FIPC

After validation, the obligation is officially recorded against activity account. Transaction listings are passed to the activity.

#### FUND ADMINISTERING ACTIVITY

Transaction listings passed to appropriate cost center for reconciliation and verification.

#### COST CENTER

Corrections and adjustments on transactions are passed to controller department.

#### FUND ADMINISTERING ACTIVITY

Corrections and adjustments are taken on activity records. Transactions requiring FIPC record changes are passed back to the FIPC.

#### FIPC

Corrections are registered on activity records. Corrections are then reflected on transaction listings.

#### FUND ADMINISTERING ACTIVITY

Transaction listings are passed to the appropriate cost center for verification of corrections to official FIPC records.

#### COST CENTER

Cost center continues reconciliation process until all obligations in cost center OPTAR logs have been reconciled with FIPC records.

Figure 9. Transaction Reconciliation Process

***d. To Recognize and Make Adjustments***

Adjustments to FAA/Cost Center records may be required to reflect a price change (up or down) due to inflation, incorrect price lists, quantity discounts, prompt payment discount or because of an incorrect original price estimate. Adjustments to accounts may also be required to reflect cancellation credit.

***e. To Receive Assurance***

Reconciliation allows the activity to ensure that authorizations, obligations, expenses, and reconciliation adjustments have been promptly and correctly recorded on the activity's transaction listings provided by the FIPC/AAA.

**E. POTENTIAL PROBLEMS THAT MAY OCCUR DURING THE ACCOUNTING TRANSACTION CYCLE WHICH MAKE RECONCILIATION DIFFICULT**

Several factors through each step of the accounting transaction cycle account for discrepancies affecting the accuracy of local and official transaction accounting records. Potential problem areas are outlined in Figure 10 and described below:

**1. Incorrect Document/Job Order Number (JON)**

For example, if an incorrect document/job order number is entered on a requisition, then the wrong cost center may be charged.

## **2. Errors in Posting an Obligation/Data Entry**

Errors in posting an obligation or in data entry may result in disbursements which cannot be matched to existing obligations. These are unmatched disbursements. When this occurs, the FIPC/AAA may establish a new obligation (using a default job order number) to balance the disbursement made and pay the bill. This results in the original obligation remaining "outstanding" since a matching expenditure for the original obligation will never occur without further intervention. This results in the *double charging* of your account for a single transaction.

## **3. Price Estimates**

Particular care must be used in price estimation. Price changes, using outdated price listings, or inflation will lead to mismatched price estimates. When this occurs, timely price adjustments must be made in local records to correct the original obligation to preclude over/understated prices when compared to the official FIPC/AAA record. Incorrect price estimates may lead to insufficient funds reserved to pay the invoice/bill, leading to possible overobligation and a resultant violation of Title 31 USC, Section 1517.

## **4. Incorrect Quantity**

In cases where the quantity received is not the quantity ordered, then the amount charged should reflect

what was received unless the order arrived as a partial shipment. If the order remains outstanding, it is considered an "undelivered order" (UDO). If such an order has actually been cancelled, the obligation should be deleted and credit taken to release the balance of the unobligated portion of the funds.

#### 5. Discounts (Prompt payment)

There are instances where the FIPC/AAA may take discounts for prompt payment of vendor invoices. When discounts are taken, the actual disbursement may be less than the expected billing price. The FIPC/AAA transaction listing sent to the activity will reflect the actual amount of the expenditure. It is imperative that the activity (beginning at the cost center level) correct local records to reflect the discounts taken by the FIPC/AAA. Activities must examine FIPC/AAA transaction listings for additional price adjustments, as more funds should be made available where discounts have been taken.

#### F. SUMMARY OF TRANSACTION ACCOUNTING PROBLEMS

Commanding Officers, Department Heads and Officers in Charge should be aware that, from the initiation of a requisition through the recording of an expenditure, there are a number of potential problems which may lead to variances and errors in both local and official accounting records. These errors or variances, if not corrected, may



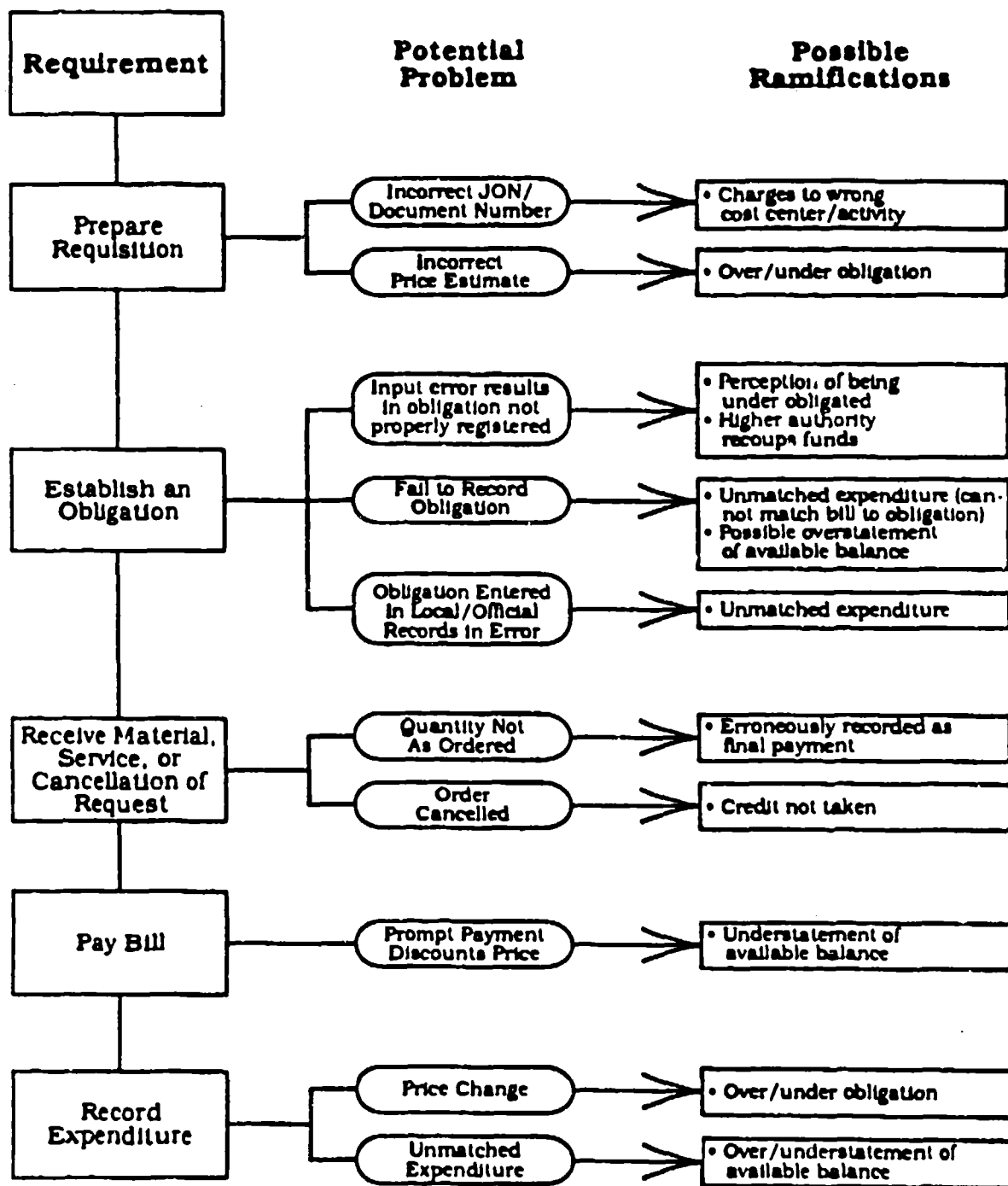


Figure 10. Problems With Transaction Reconciliation

significantly distort the true balance of funds available for obligation and expenditure. Underobligation, as stated earlier, may lead CNSG to recoup funds for use by other activities. Overobligation, on the other hand, may result in a violation of Title 31 USC, Section 1517. Therefore, care must be taken to meet the activity's approved budget. Official FIPC/AAA records must be promptly and correctly reconciled with unofficial local records. When variances (data entry error, change in price estimate, discounts, etc.) occur they need to be promptly identified and corrected.

All of the problems associated with transaction reconciliation are further exacerbated by lag time. Lag time is the time between posting of obligations to the FAA account and the discovery and correction of errors. The lag time may be increased by geographic distance between the FIPC and FAA or by computer down time at either end of the process. Constant communication with the FIPC can diminish some of the problems associated with lag time.

Remember, the accuracy of the official and local records are inextricably intertwined. Reconciliation begins at the cost center level and extends up through the major claimant and NAVCOMPT. Getting the correct information into the system the first time can minimize manual intervention later in the process.

## **G. STRATEGIES FOR EFFECTIVE/EFFICIENT RECONCILIATION OF FINANCIAL TRANSACTIONS**

Three approaches have typically been used to effectively and efficiently manage the complexities of transaction reconciliation. These approaches are: first-in, first out (FIFO), by dollar value, and a combination alternating FIFO and dollar value. These three approaches to reconciliation should begin at the cost center level. Any successful strategy for reconciliation must include cost center personnel. Cost center personnel are obligating funds against these transactions and should bear some of the responsibility for reconciling the cost center's operating target (OPTAR) records. Since most transactions are initiated at the cost center level, these personnel are in the best position to detect errors in the reconciliation process. Additionally, the process is too lengthy and time consuming to be performed by the comptroller department alone. The three reconciliation strategies are:

### **1. First-In, First-Out (FIFO)**

Transactions are reconciled on the basis of age. The older transactions are processed first. This helps preclude the transaction from expiring or lapsing into what is known as the successor "M" (*merged*) account. Upon lapse of annual and multi-year appropriations, the obligated but unexpended balances merge/transfer in the Appropriations Successor "M" Account. Funds are transferred to the "M"

account as a result of poor accounting or reconciliation practices, where outstanding obligations have not been properly tracked through the transaction process and where order cancellations have not been properly recorded (credit taken) or reported. The successor "M" account receives high level attention (from major claimant up through the Congress), as consistent transfers to this account give the impression that the funds are mismanaged.

## **2. Dollar Value**

Transactions are reconciled on the basis of dollar value. Transactions are sorted by dollar value and the highest dollar value transaction is processed first. This provides the FAA with a more timely picture of the actual value of obligated/unobligated balances. High dollar value transactions have a greater impact on available obligation/expenditure balances than do low dollar value transactions.

## **3. Alternate Between FIFO and Dollar Value**

Transactions are reconciled on a monthly basis alternating between the two approaches. This process maintains the integrity of the first-in, first-out approach (funds approaching expiration are handled first) and substantially reduces imbalances which might be caused by high dollar value transactions.

## H. FINANCIAL MANAGEMENT REPORTS

Naval Security Group Commanding Officers, Officers in Charge and Department Heads have at their disposal a number of financial management reports under the **Resources Management System (RMS)** to assist them in tracking budget execution.

The ultimate success or failure of any financial reporting system is measured by the extent to which the CO, OIC and Department heads are informed of actual or potential variances from established budget plans in sufficient time to make decisions and take corrective action [Ref. 11: p. V-6]. Variance is any deviation from the annual planning figure, whether through error, miscalculation, or intentional change.

Variances can be attributed to a number of factors:

- \* carelessness of employees,
- \* misunderstood instructions,
- \* price changes,
- \* incorrect price estimates, and
- \* poor prior planning.

Responsibility for identification of deviation from the annual planning figure extends from the lowest level (cost center) through management (the CO or DH of the fund administering activity). Accurate reporting will not only keep management (CO/OIC/DH) well-informed, but will also make them more effective. Sound record keeping and

reporting will provide ample documentation for reprogramming and supplemental requests (budget augments) of budget authority, as well as for reclaims when necessary.

#### 1. Trial Balance Report (NAVCOMPT Form 2199)

This is the single most important financial management report available to the Commanding Officer, Department Head and Officer in Charge. The financial status of all funds available under an activity's operating budget will be reported monthly by its Authorization Accounting Activity (AAA) or its Financial Information Processing Center (FIPC) to the fund administering activity and Commander, Naval Security Group Command (the major claimant). TABLE 1 provides key elements of the Trial Balance Report. The numbers in TABLE 1 are keyed to the arrows on a representative Naval Security Group NAVCOMPT Form 2199 Trial Balance Report which is shown in Figure 11. The report presents to the Commanding Officer, Department Head or Officer in Charge of the FAA and to the Commander, Naval Security Group Command, the current fiscal status of all funds (direct and reimbursable) received by the activity on the Resource Authorization (NAVCOMPT Form 2168-1) and funded reimbursable orders.

The net change in financial data, contained in the Trial Balance Report, is used by the AAA or FIPC for posting to the activity control ledgers. This report provides support for fiduciary reports to higher authority.

TABLE 1. KEY ELEMENTS OF NC 2199 TRIAL BALANCE REPORT

---

Elements of NAVCOMPT Form 2199  
Trial Balance Report

1. Total Operating Budget Authorized
  2. Reimbursable Orders Received
  3. Unmatched Funds Disbursed
  4. Unobligated Direct Funding
  5. Unobligated Available Balance (Maintenance of Real Property)
  6. Travel Funding Obligation Data
-

FROM: 00179 AFPC WASHINGTON, D. C. 20334

FOR: 00 HOLLER PT PLANE, PO 00750-5270

62704

TO: AAA OF 00 GRANTER AFPC WASH DC 20371-0100

SEC 00179

00750 CLASS B/F 0100 00 00750 IN 0

FOR 00 GRANTER: CREDIT ADV SECURITY EMP 000 SEC 00000

ACCOUNT NUMBER AND TITLE	BALANCES PRIOR MONTH		BALANCES CURRENT MONTH		CHANGES FOR MONTH	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
<b>ASSETS</b>						
1001 00 AUTHORIZED	74070.00	.00	68610.00	1.00	5460.00	.00
1000 PAGES COLLECTED AUTO	3040.00	.00	2282.04	.00	757.96	.00
1001 INTRA APPN	3040.00	.00	2282.04	.00	757.96	.00
1000 PAGES EXCHANGED	.00	6770.42	.00	6861.42	.00	10977.10
1100 ACCT SEC US CIV	773.04	.00	340.21	.00	.00	432.83
1100 AUTOMATIC - UNBILLED	773.04	.00	340.21	.00	.00	432.83
1101 INTRA APPN	773.04	.00	340.21	.00	.00	432.83
1110 TRAVEL ADVANCES	2002.00	.00	2441.00	.00	439.00	.00
1010 BLDG ORDER SEC AUTO	23700.00	.00	41700.00	.00	18000.00	.00
1011 INTRA APPN	23700.00	.00	41700.00	.00	18000.00	.00
1700 UNCLASSIFIED EXP/COST	2002.17	.00	2094.16	.00	2009.01	.00
1900 UNCLASSIFIED PAGES EXCHANGED	2002.04	.00	604.62	.00	.00	1397.42
TOTAL ASSETS	79404.17	6770.42	67071.22	6861.42	12332.95	17633.12
<b>LIABILITIES</b>						
ACCOUNT NUMBER AND TITLE	BALANCES PRIOR MONTH		BALANCES CURRENT MONTH		CHANGES FOR MONTH	
	DEBIT	CREDIT	DEBIT	CREDIT	DEBIT	CREDIT
0000 ACCT PAY US-CIV SERVICES	.00	910.42	.00	8702.51	.00	1992.09
0010 ACCT PAY US-CIV SERVICES	.00	910.42	.00	8702.51	.00	1992.09
0100 ACCT PAY PUBLIC	.00	10000.19	.00	20610.43	.00	21610.24
0200 OTHER	.00	10000.19	.00	20610.43	.00	21610.24
TOTAL LIABILITIES	.00	20910.61	.00	39925.48	.00	73632.66
<b>INVESTMENTS</b>						
0211 USAL AUTH DIRECT FOM	.00	70011.00	.00	10040.19	.00	60070.81
0212 USAL AUTH REISS FOM	.00	20000.00	.00	17070.43	.00	30029.57
0220 USAL ORDER	.00	10000.00	.00	11170.46	.00	11170.46
0231 DIRECT FOM OTHER	.00	9000.00	.00	10070.00	.00	11170.46
<b>EXPENSE</b>						
0070 COST FOM FOR OTA CAR VE	611.04	.00	2701.00	.00	217.99	.00
0021 CAR EXP OTHER CAR VE	7400.00	.00	10070.00	.00	2670.00	.00
0040 CAR EXP FOM CAR VE	200.00	.00	1100.00	.00	900.00	.00
TOTAL EXPENSE	7511.04	.00	13871.00	.00	3187.99	.00
<b>REVENUE/REBATE</b>						
0070 SEC OTA-BILLED	.00	.00	.00	.00	.00	.00
0070 SEC OTA-UNBILLED	.00	.00	.00	.00	.00	.00
0070 SEC OTA	.00	.00	.00	.00	.00	.00
TOTAL REVENUE/REBATE	.00	.00	.00	.00	.00	.00
GRAND TOTAL	79404.17	27910.61	67071.22	39925.48	12332.95	73632.66
<b>STATISTICAL</b>						
0001 UNCLASSIFIED BAL AVAIL 000	71000.12	.00	10070.00	.00	10070.00	.00
0001 UNCLASSIFIED BAL AVAIL 000	.00	1000.00	.00	1000.00	.00	1000.00
0001 UNCLASSIFIED BAL 000	1000.00	.00	1000.00	.00	.00	.00
0001 UNCLASSIFIED BAL 000	1000.00	.00	1000.00	.00	.00	.00
0001 UNCLASSIFIED BAL 000	1000.00	.00	1000.00	.00	.00	.00
0001 UNCLASSIFIED BAL 000	1000.00	.00	1000.00	.00	.00	.00
0001 UNCLASSIFIED BAL 000	1000.00	.00	1000.00	.00	.00	.00
0001 UNCLASSIFIED BAL 000	1000.00	.00	1000.00	.00	.00	.00
0001 UNCLASSIFIED BAL 000	1000.00	.00	1000.00	.00	.00	.00
0001 UNCLASSIFIED BAL 000	1000.00	.00	1000.00	.00	.00	.00
TOTAL STATISTICAL	71000.12	1000.00	10070.00	1000.00	10070.00	1000.00

CERTIFICATION:  
I CERTIFY THAT THE AMOUNTS HEREIN REPORTED ARE IN ACCORDANCE  
WITH 31 USC 500 AND PRESCRIBED ACCOUNTING PRINCIPLES.

REPORTING SIGNATURE & TITLE/NAME  
FISCAL  
OFFICER: S. L. BLACKLEY, BY 00000000

DATE: 01/31/70

Figure 11. NAVCOMPT Form 2199 Trial Balance Report



## 2. Operating Budget/Expense Report (NAVCOMPT Form 2168)

This is a monthly status report which provides management with details such as: work units completed, military man-hours, civilian man-hours, military services expense, civilian labor expense and accrued expenses, cumulative to date. The data is collated by the FIPC/AAA for each fund administering activity and broken down into the following categories:

### a. *Subactivity Group (SAG) Code*

The basic purpose for which an activity proposes to spend money (i.e., Station Operations, F3). SAGs used by NSG are contained in NSGINST 7310.1 (series).

### b. *Functional/Subfunctional Category (SFC) Code,*

Subfunctional categories are a finer grouping within the functional category grouping. They provide a classification which states which functions will be performed (i.e., Administration [D1]), and

### c. *Cost Account Codes (CAC),*

An accounting classification which states specific aspects of functions (i.e. Purchased Electricity [8350]).

There are two operating budget/expense element reports: one is a Cost Center Report, the other a Fund administering activity Report. The information for these reports is derived from the local job order accounting system.

The practicality of the Cost Center report as a resource management document is reinforced by the fact that the cost center's approved operating target (OPTAR) has been prepared in an identical format. The two documents, when used concurrently, offer an effective means to compare actual and planned costs. This comparison lends itself to early identification of variances. The cost center report is retained by the fund administering activity.

A copy of the Fund Administering Activity report (which is a consolidation of all cost centers) is forwarded to Commander, Naval Security Group Command for further consolidation with other NSGA fund administering activity reports for submission to NAVCOMPT.

### **3. Uniform Management Report Formats (UMR)**

Uniform Management Reports are available in four report options for fund administering activity level managers. The principal data elements contained in these reports are the same as those used in budget formulation at the activity level. These report formats are prepared for each FAA and cost center manager and provides actual fiscal year-to-date (YTD) totals for accrued expenses, undelivered orders, and work units together with the approved annual budget for each subactivity group (SAG) code, functional/subfunctional category (SFC) code, and cost account code (CAC) in the operating budget. In addition, these report formats display management information (e.g.,

obligations, production rates) not available in the NAVCOMPT Forms 2168 and 2169.

The four Uniform Management Report formats available are:

*a. Format A (Large Activities)*

The purpose of UMR Format A, primarily designed for use at large activities (NSGA Misawa, NSGA Edzell etc.) is to provide management with information regarding production, military and civilian labor, gross adjusted obligations, and personnel staffing. Additionally, undelivered orders, consignments, and prior fiscal year expense information are shown as separate data elements. This format also allows FAAs and cost centers to correct erroneous data entered in the report in the month that the error occurred rather than in the month that the error is discovered. This process is critical to successful reconciliation of FAA versus FIPC/AAA records.

UMR Format A is prepared for each cost center (i.e., department, detachment, and division) at the cost account code (CAC) and summary cost account code level. Cost center reports are summarized at the subactivity group (SAG) code and functional/sub-functional category (SFC) code levels. This report is also available to the FAA with summaries by cost center and an overall summary for the activity as a whole. Reports are generated for both direct and total reimbursable (indirect) funds.

The FIPC/AAA can also generate a budget line item report if the FAA specifically requests it. The budget line item report is especially useful during the budget execution process and should be requested at least quarterly. Obtaining this line item budget report will require prior coordination with the activity's FIPC/AAA since budget line items are made up of different cost codes. FAA must define its budget line items prior to the beginning of the fiscal year in coordination with the FIPC/AAA if it chooses this reporting option.

***b. Format B (Small Activities)***

The purpose of UMR Format B, designed for smaller activities (NSGA Anchorage, NSGA Kunia etc.) is to provide the CO, DH, and OIC with information in regard to work units, military and civilian labor, and gross adjusted obligations. Additionally, undelivered orders (UDOs), consignments, and prior fiscal year expense information are shown in separate data elements. This report is an alternative to UMR Format A. Activities will receive UMRs in only one of the four formats.

***c. Format C***

UMR Format C is used to provide management with timely information regarding cumulative fiscal year-to-date (YTD) expenses, UDOs, and gross adjusted obligations by cost account code (CAC) at the expense element (EE) level. The

FIPC/AAA prepares this format monthly for the cost center and fund administering activity.

UMR Format C provides cumulative year-to-date man-hours, work units planned and accomplished, work unit cost, and consignments at the cost account code (CAC) level. Additionally, it provides actual versus planned expenses, prior fiscal year resources applied, UDOs, and fiscal year-to-date gross adjusted obligations at the cost account/expense element level.

The FIPC/AAA prepares a separate report for each cost center divided into two sections, direct and reimbursable. Expenses are accumulated on a fiscal year-to-date basis by expense element within cost account, functional/ subfunctional category code, subactivity group code, and within direct/reimbursable code (D/R code). The fund administering activity report is similarly divided into a summary of all cost centers reports and is shown by direct and reimbursable expenses.

*d. Format D (Replaces NAVCOMPT 2168 and 2169)*

UMR Format D is used in place of the Operating Budget/Expense Report (NAVCOMPT 2168) and the Performance Statement (NAVCOMPT Form 2169). Format D serves the same purposes as NAVCOMPT Forms 2168 and 2169. The FIPC/AAA prepares reports for each cost center and fund administering activity. The fund administering activity report is a consolidation of all the cost center reports. Expenses are

reported on a cumulative year-to-date basis, in both the detailed and summarized reports. The information provided in Format D is obtained from the local job order cost accounting system.

**4. Activity/Subactivity Group/Expense Element Report  
(NAVCOMPT 2171)**

The FIPC/AAA prepares this report monthly for each fund administering activity. It provides detailed input to CNSG for summarization to the Chief of Naval Operations/Office of the Navy Comptroller. The report consists of accrued expenses and gross adjusted obligations for the current month and fiscal year-to-date data in terms of subactivity group codes, functional/subfunctional category codes, expense elements, and subhead. The job order accounting system or other locally designed method of documentation serves as the source of data for this report.

**5. Monthly Report of Travel Advances Outstanding**

This report provides advice on travel which was scheduled to have been completed ninety (90) days or more prior to the end of the report month. The Commanding Officer, or designee, upon receipt of a copy of this report, should take action to notify the traveler(s) of their failure to repay the excess travel advances.

#### IV. BUDGET EXECUTION

##### A. OVERVIEW

While budget formulation is the preparation of a financial plan for the budget year, budget execution is the accomplishment of that plan. The activity spending plan is a tool for managing the financial resources available to the activity. This spending plan includes all direct and reimbursable funds, provides periodic (i.e., monthly, quarterly, and annual) budget estimates, and performance evaluation against established targets. Budget execution is the process through which each individual activity can achieve the most effective, efficient, and economical use of its financial resources while carrying out the missions for which the funds were appropriated.

A well-written command budget execution plan should be the primary method of managing the activity budget allotment. A written plan makes division officers and department heads aware of who is responsible and accountable for work to be performed and the resources available to get the job done. A written budget execution plan is the instrument which permits the planned, controlled and effective management of the activity's resource authorization.

Accomplishment of the command's budget execution plan should be monitored to ensure effective, efficient use of funds and to preclude exceeding the approved spending limits. Control of budget execution is accomplished through:

- \* well-written command budget formulation/execution directives,
- \* accurate record keeping,
- \* reconciliation of unofficial/official records,
- \* acceptance and distribution of funds in writing, and
- \* early identification of funds which may be reprogrammed or recouped.

Inadequate control over the budget execution process can result in overspending (violation of Title 31 (1517)) or, in the case of underspending, recoupment of funds by Commander, Naval Security Group Command.

The budget execution process takes place primarily at the fund administering activity level and continues until all obligations have been reconciled through the Financial Information Processing Center. This process may take up to three years for O&M,N funds.

## **B. CRITICAL ASPECTS OF BUDGET EXECUTION**

The Commanding Officer is responsible for effective mission accomplishment, for the efficient administration of appropriated funds, and for all other resource/financial management functions at the activity. Critical aspects of



the Commanding Officer's budget execution responsibilities (which cannot be delegated) include [Ref. 7:p. D-99].

#### **1. Use Financial Resources Efficiently and Effectively**

Do not overobligate; do not underobligate. When a fund administering activity fails to maintain obligation rates consistent with its budget execution plan, it gives CNSG the impression that the funds are not needed. CNSG may recoup funds if FAA obligation/expenditure rates are below planned targets. Therefore, maintain quarterly and semi-annual obligation rates consistent with the FAA's budget execution plan and Commander, Naval Security Group Command directives. Use the CNSG approved budget as the fiscal planning model. Regularly measure department, detachment and division budget execution performance against the plan.

Analyze deviations from the plan and take corrective action to adjust the plan as required. Cost centers should routinely validate outstanding obligations to obtain credit for possible cancellations and to detect possible overcharge/double charges. Continuous validation of outstanding obligations will allow the FAA to detect and correct errors before funds expire and then lapse into the successor "M" account. Double check to ensure that requisition cancellation results in deobligation of funds. Create a tickler file at the cost center and FAA level to track supply requisition cancellation status. Validate FIPC transaction listings at the cost center level to promptly to

detect price adjustments, data entry errors, and discounts taken. Reconcile cost center OPTAR data with the FAI memorandum accounting records to ensure accuracy and completeness.

**a. Civilian Personnel Budget Execution**

Civilian payroll can account for as much as 60% of a fund administering activity's annual operating budget (allotment). Civilian payroll, unlike military manpower costs, must be budgeted for and controlled by the fund administering activity. Civilian payroll must be fully funded; therefore, such costs as grade increases, awards and promotions must be considered in executing civilian pay costs. CNSG will not augment fund administering activity allotments for additional civilians hired during the fiscal year. CIVPERS related costs can be reduced/controlled by:

- \* limiting overtime. Get the job done in the time allotted.
- \* using temporary hires, where possible, to reduce fringe costs. Fringe is the cost of the government's share of a civilian employees retirement, life insurance, health insurance, social security and thrift savings plan.
- \* classifying positions at the skill/grade required for job accomplishment (i.e., don't overclassify).
- \* gap billets when possible.
- \* reorganize to maximize productivity, (use military personnel wherever it is more economical), and
- \* use performance awards in lieu of grade raises to reward superior performance. Link awards to superior performance rather than longevity.

**b. Public Works Budget Execution**

Ensure compliance with Maintenance of Real Property floors delineated in the "remarks" section of the FAA's NAVCOMPT Form 2168-1 Resource Authorization.

Provide incentives to personnel, divisions and departments for conservation. Ensure utility systems are performing at peak efficiency. Take advantage of external sources of help to alleviate efficiency problems. Review telephone/computer access lines for requirements/utilization. Audit long distance phone call use; use AUTOVON/WATTS to the maximum extent possible. Take advantage of self help; OPNAVINST 11010.20E provides detailed instructions on the Self Help program. Initiate recycling programs for aluminum and paper to provide additional funds for Morale, Welfare and Recreation programs.

**2. Use Funds Properly, Consistent with Legal Constraints**

Title 31 USC, Section 1517 prohibits the authorization or incurring of obligations or expenditures in excess of the amount allocated by the Administering Office. Title 31 USC, Section 1301 states that funds cannot be used for purposes other than for those which the funds were appropriated. Violations of Title 31 USC 1517/1301 have visibility up the chain of command through the Executive Office of the President. The "Remarks" section of NAVCOMPT

Form 2168-1 outlines the restrictions (fences - ceilings and floors) on the use of funds.

### **3. Use The Approved Budget As A Plan Of Action**

It is likely that the fund administering activity devoted a considerable amount of time and effort in formulating the activity spending plan (budget). Use the plan, through budget execution, to accomplish the plan. However, don't be averse to adjusting the plan to meet current or future needs. Budget execution, like budget formulation is a dynamic process which requires the Commanding Officer's constant attention.

Commander, Naval Security Group uses the official FIPC/AAA reports to compare the fund administering activity's budget execution performance with their approved budget. Poor budget formulation can result in insufficient funds being available to properly accomplish the activity's mission. Ineffective budget execution can result in recouped funds in the current fiscal year because they weren't properly obligated. It can also result in lost funds in subsequent years due to the major claimant's perception that the FAA funds were poorly utilized.

### **4. Always Accept or Dole Out Funds In Writing**

There are specific legal, administrative and military regulations which govern the allocation of funds. This policy alleviates any confusion among department heads and division officers as to whether the CO actually

authorized funds to be expended or not. It is always preferable to deal with financial matters in writing. Besides providing an accurate account of a transaction, a written record outlines responsibility and accountability should the funds be mishandled/ misappropriated.

**5. Understand Budget Execution's Impact on Budget Formulation.**

Poor budget formulation or execution can result in recouped funds in the current fiscal year and lost funds in subsequent years. Poor execution in any given fiscal year weigh heavily in the major claimant's decisions for allocation of the following year's resource authorizations. Sound budget formulation must be followed by proper execution of the activity spending plan.

**6. Be Flexible, Expect Change, Develop and Maintain Current Contingency Plans**

Effective/efficient management of scarce financial resources is difficult, at best, given changes in operating conditions, priorities, costs and funding levels. Activity comptrollers often don't know the real bottom line with respect to their obligational authority until the last day of the fiscal year. In good times, the distribution of funds to activities at mid-year review and at the end of the fiscal year can be plentiful, resulting in the problem of trying to successfully obligate all the additional funds by midnight on 30 September. In bad times, last minute funding requirements can be quite a traumatic experience for an unprepared activity.

Contingency planning can go a long way toward cushioning the shock of unexpected change. Contingency plans conceived during the less stressful times, can anticipate many different funding level scenarios and appropriate management action to achieve maximum utilization of available financial resources. [Ref. 8. p. D-91]

The FAA should develop up-to-date contingency plans for a number of reasons. An unstable funding climate may result in budget cuts, recoupment/reallocation of funds, spending freezes, mid/end of the year dumps (supplemental funds).

Plan for change and contingencies. Develop plans to mitigate change by:

- \* requesting additional funds,
- \* adjusting contracts, requisitions or any other documents where changes in financial obligations can be made,
- \* deferring work, travel, and consumable purchases,
- \* freezing hiring, and
- \* reducing the work force (use this only as a last resort).

Develop and maintain contingency plans for both good and bad times. Keep both plans current.

#### **7. Ensure Financial Records/Reports Are Accurate.**

Cost center and fund administering activity records are unofficial. The FIPC/AAA maintains the official financial records for the fund administering activity and provides the major claimant with the fund administering activity's official records.

It is imperative that the FAA, beginning with the cost center, reconcile its unofficial records with the FIPC/AAA's official records. Notify the FIPC promptly of any errors discovered in these or any other financial

reports. The cost center/FAA/FIPC reconciliation process is not over until the FAA verifies that adjustments/correction have been processed by the FIPC and reflected on the FAA's transaction listings.

Train OPTAR record holders in the proper preparation and reconciliation of OPTAR logs. Ensure they understand the importance of their role in the process. Train cost center personnel to report variances and anticipated changes, as soon as they become aware of them. Train personnel to prepare procurement/requisition documents promptly and correctly.

**8. Develop and Maintain a Professional Relationship with the NSG Comptroller (GD) Organization**

An invaluable aid in the budget execution process has been (and will continue to be) an honest, open and communicative relationship with the major claimant's comptroller organization. By maintaining a solid professional relationship with the CNSG comptroller, there will be few surprises for the fund administering activity, or HQNAVSECGRU. (Appendix C provides an organization chart for the Assistant Commander for Plans Programs and Budget, Resources Management/Comptroller (CNSG GD) with additional details about which code to call with specific budget questions.) Integrity and credibility are key elements of this relationship.

## 9. Maintain Communication With The FIPC

Since the FIPC produces all the official accounting reports for the FAA, the fund administering activity should have frequent, ongoing communication with the FIPC. The complexities of the accounting transaction cycle and reconciliation process requires constant interaction and communication between the FAA and the FIPC. Recognize their limitations.

The FIPC can be a ready source of knowledge, should the FAA experience difficulties during the budget year. Take advantage of training and assistance visits offered by the FIPC. Work with the FIPC to improve the transaction and reconciliation processes for the command. If at all possible, visit the FIPC and establish a face to face relationship.

Commend the FIPC for good service and performance. Establish a cooperative relationship between the FIPC and FAA. The FAA should let the FIPC know when it is not satisfied with FIPC support.

The official FIPC accounting reports represent the FAA's financial management picture to the major claimant - Commander, Naval Security Group Command. A cooperative, professional relationship between FIPC and FAA will help ensure that FIPC/FAA financial records are timely and accurate.



10. **Promote Professional Competence, Accounting Accuracy and Optimum Utilization of Funds Through User Awareness & Proficiency Training**

This is accomplished through sound activity financial control systems. These systems have four key components: standard operating procedures (SOP), organizational structure, command awareness and proficiency training, and review and recognition. [Ref. 8: pp. 44-49]

a. ***Standard Operating Procedures (SOPs)***

Standard operating procedures are the written and oral instructions which give "legal" sanction to the FAA's control systems. They are (in this case) the formal instruments which govern the operations of the FAA's financial control system.

Training provides personnel with a basic understanding of a subject area, whereas, SOPs provide specific guidance and procedures unique to a particular function. Once a basic understanding of a procedure is established, the rationale for SOPs is more easily understood and the procedures are more likely to be followed.

SOPs should include: activity instructions (budget formulation execution plans and delineation of responsibilities), Cost Center (OPTAR) handbook/desk guides, and computer software support (LOTUS 1-2-3, CNSG Budget Call Preparation 2.1 software, FASTDATA, and other locally developed budget support software).

SOPs should establish specific expectations of performance by defining specific responsibilities and delineating accountability. This includes definition of the tasks to be performed and who is to perform them.

*b. Organizational structure to carry out the SOPs*

The FAA should have an organizational structure to support and carry out the standard procedures. The FAA should have designated personnel to maintain financial records. OPTAR record keepers should be designated in writing and adequately trained to perform their duties.

The FAA should have a financial management training facilitator to train new personnel. Ensure that the comptroller organization is adequately trained. Financial management correspondence courses are available through the Naval Education and Training Program Development Center. Seek additional training from the FIPC or AAA. Request desk guides and SOPs from other commands and tailor them to fit the fund administering activity's needs.

Internal review personnel are an essential element of the organizational structure. Audit/internal review personnel should confirm that SOPs, instructions and applicable regulations are being followed and that training is adequate to support required performance levels.

*c. Command awareness/proficiency training*

Command personnel are more likely to comply with policy and procedures which they understand. Education and

training are essential for developing and maintaining proficiency in command personnel. The comptroller organization should provide financial management training for department heads, division officers and Chiefs. These seminars should include relevant subjects such as basic financial responsibilities, an overview of the Navy accounting system, supervision and training of personnel with financial duties, and an introduction to the resources available to accomplish the activity's mission. Ensure they take the training back to their departments, divisions and sections. The cost centers should have a Technical Standards of Readiness (TSOR) qualification program for OPTAR record keepers.

*d. Internal Review/Recognition of performance*

Internal review personnel should conduct unbiased audits and reviews of the command to determine the strengths and weaknesses of the financial control system. They can also evaluate the effectiveness of the training/qualification program. All cost centers should be evaluated on an annual basis to assess its compliance with established standard operating procedures and training requirements. The Commanding Officer or Executive Officer

should discuss audit/review results with the respective Officer in Charge, Department Head or division officer.

Compliance with established procedures and directives should be rewarded. Effective and efficient utilization of resources should be formally recognized through personal letters of appreciation, plaques or similar awards. Conversely, non-compliance should be identified and responsible personnel appropriately disciplined (i.e., reduction of OPTAR funds, counseling, etc.).

Standard Operating Procedures, organizational structure, command awareness/proficiency training and Internal Review/recognition of performance are essential to any successful FAA/responsibility center financial control system.

#### **11. Understand The System and Its Limitations**

FIPC/AAAs process hundreds of thousands of transactions during a fiscal year. Almost 40% of these transactions will require manual intervention to correct data entry errors, to make price adjustments, to take cancellation credit, and to correct billing errors during the transaction cycle. The FIPC/AAA must match every obligation with a requisition and invoice at various stages through the process. Precise matching is required at every step in the transaction process. An error (i.e., incorrect document number, job order number, cost accounting code, etc.) in a single document affects a multitude of subsequent

documents. Training and educating personnel beginning at the cost center level can alleviate some of the problems.

## **12. Develop and Maintain a Good Management Information System**

A management information system (MIS) is an integrated system for providing information to support the planning, control, and operations of an organization. The fund administering activity's MIS should consolidate selected data from various cost center, FAA, and FIPC reports and provide useful information to all funds management levels (i.e., division officers, department heads, officers in charge, CO/XO, etc.).

### ***a. Locally Developed MIS***

The MIS may be a locally developed software program using *DBASE IV*, *Lotus 1-2-3*, *Supercalc*, or other similar programs. Locally developed MIS should be designed to be user friendly. Reports produced should be self-explanatory and easy to understand (i.e., use graphs, tables and charts). The MIS should be suited to the individuals who will use them. It should provide timely support to decision making and promote management by exception (i.e., provide warning information about overobligation, lapsing of funds, etc.). And finally, it should reduce duplication of effort to the maximum extent possible and be compatible with existing software systems.

***b. Fund Administration and Standardized Document Automation (FASTDATA)***

FASTDATA is a microcomputer based, menu-driven accounting system designed to generate 13 DOD source documents while simultaneously satisfying all attendant accounting requirements at both the cost center and the fund administering activity (FAA) levels.

Some of the many features of FASTDATA include: automated recording of accounting data, built in edit and validation routines, automatic upload of obligation and expenditure data to FIPC/AAA mainframe computers through batch processing, and interface with automated supply system computers.

(1) Software. The system consists of two separate sets of software. One software application system is provided for fund administering activity (FAA) use and the second system is provided for field level (cost center) use.

The fund administering activity originates the field sites' financial framework disks. The system is set up in much the same way that Commander, Naval Security Group (CNSG) sends activities the annual budget package on disk as part of the formal annual budget call. These disks provide the OPTARs, job orders, fund authorizations, document serial numbers and related information for field site use.

Users at the field sites then enter the data necessary to requisition materials and/or services on the appropriate menu driven screen.

(2) Supported Forms. FASTDATA currently supports automated data entry on the following forms: DD1348, DD1348-6, DD282, DD1556, SF1164, NC2275, NC2276, DD1610, and NAVPERS 1320/16. The system automatically assigns the Standard Document Number (SDN), thereby significantly reducing the possibility of a missing or duplicated SDN.

(3) Funds Availability. The system is capable of automatically determining if sufficient funds are currently available to satisfy the requisition (providing some protection against over- obligation). If funds are available, the operator has the option of printing the source document on standard tractor feeder paper or transferring this accounting and requisition data to disk for uploading into automated supply systems.

The operator also may enter data pertinent to the receipt, cancellation or acceptance of the transaction. The system automatically retains memorandum records validating all transactions for a given field site.

(4) Procedures. FASTDATA automatically groups and codes all transactions consistent with the system and standards used by the fund administering activity. All transaction information is automatically

written to disk by FASTDATA when the operator uploads the data to the fund administering activity.

The fund administering activity then loads the field sites' data into FAA software. The FAA is able to automatically manipulate, batch and write the data to disk for automated upload to official records. This data can be readily converted to management (CO/OIC/DH) level financial reports which provide a current and accurate status of funds (essential to successful budget execution).

(5) Links to the Supply System.

FASTDATA automatically links the supply process of ordering and receiving materials and services to its associated accounting process. Events which require the posting of data to official records occur simultaneously to a supply event. Data which must to be posted to official records is included in data entry during the supply process. The system retains data entered by the user when order materials or services, and automatically categorizes, manipulates, and translates the data, so that data accurately reflecting a transaction entered into the supply system is uploaded to official records without any further manual entry

(6) Reduce Reconciliation Problems.

Some of the accounting transaction and reconciliation problems that FASTDATA can minimize or resolve are:



- \* Duplication of supply and accounting data entry
- \* Invalid expenditure due to improperly prepared documents
- \* Reduces data entry time
- \* Mismatches between source documents and official records
- \* Accidentally exceeding OPTAR (overobligate OPBUD)
- \* Out of sequence transactions
- \* Out of date data
- \* Reduces discrepancies between AAA/FIPC and field site data

### 13. Be Prepared For Mid-year Review

Mid-year review serves two basic purposes: evaluation of budget execution performance, with a detailed review of obligations to date and projected requirements for the rest of the year, with particular emphasis on providing resources for unfunded deficiencies.

Mid-year review generally means one of two things for a fund administering activity. It can receive additional funds or funds may be recouped by the major claimant or other funds providing activity.

The fund administering activity center should maintain an up-to-date detailed list of prioritized unfunded requirements/ deficiencies. This list should be collated from cost center inputs and then prioritized within the FAA. This list accomplishes two objectives. Primarily, it enables the command to go on the record having identified

those resources necessary to accomplish its mission for which funding has not been provided. Secondly, it provides the command with a ready list of prioritized needs it will be able to fulfill should unanticipated funds be made available from CNSG. The total amount of the unfunded deficiencies for the fiscal year shall not exceed 10% of the assigned control total provided by CNSG [Ref. 6].

CNSG requires its fund administering activities to maintain prioritized lists of unfunded deficiencies. These deficiency lists assist CNSG in deciding which items warrant fund augmentation for a particular activity [Ref. 10]. In addition to a detailed unfunded requirements/ deficiencies lists, each activity's budget request should contain requirements for the following two years which were previously requested and denied or emergent items, not previously requested, but considered essential to fulfilling the command's mission.

The importance of maintaining valid, specific, up-to-date and accurate unfunded deficiency lists cannot be overemphasized. Commands with detailed lists of prioritized unfunded deficiencies have greater success in satisfying budget requirements than those without.

#### **14. Closely Monitor Specific Budget Execution Pulse Points**

The Commanding Officer, Department Head or Officer in Charge should be briefed on the budget execution pulse

points on a monthly basis, more often toward the end of the fiscal year. These pulse points are : obligation rates, undelivered orders, unmatched disbursements, unliquidated obligations, outstanding travel advances, discount options, reimbursable execution, CIVPERS execution, and interest payments required by the Prompt Payment Act. Specific *Budget Execution Pulse Points* are discussed in detail in the next section.

### C. BUDGET EXECUTION PULSE POINTS

COs/OICs/DHs should monitor the following budget execution *PULSE POINTS*:

#### 1. Obligation Rates

Underobligation is nearly as serious as overobligation. While overobligation is a violation of Title 31 USC, Section 1517, underobligation suggests to the major claimant that the FAA has more funds than it can use. Use your resources wisely. Commander, Naval Security Group Command is very interested in any unobligated balances. Maintain obligation rates consistent with the activity's budget execution plan, and with CNSG's/fund providing activity's directives/guidelines. CNSG reviews FAA obligation rates monthly, comparing the activity's NSG Form RCS 7132 (Report of Monthly Obligation Status) with official FIPC reports. FAAs with unexplained deviations from CNSG

established obligation rates should anticipate that CNSG will recoup unobligated balances.

## 2. Undelivered Orders (UDOs)

These may be any document, meeting the criteria of an obligation, issued for materials or services that have not been received by the activity that ordered it. Since these materials have not been received, final payment has not been made by the FIPC. It is important to track UDOs and other requisitions through periodic review and validation. These orders may have been cancelled and, therefore may be a possible source of additional funds through credits for deobligation of funds initially reserved for payment of the original obligation.

## 3. Unmatched Disbursements

There are two disbursement subdivisions within the fund administering activity's liquidated obligations (listed as expenditures in the FIPC/AAA records). The subdivisions are: *matched* - obligations matched with disbursements and subsequently expenditures and *unmatched* - disbursements which cannot be matched to existing obligations.

Unprecedented disbursements usually result from requisition documents which were not posted or from data entry errors in either obligation or expenditure records. This could result in double charges against the fund administering activity's account if not examined and resolved promptly and properly.

Undistributed (unmatched) disbursements/expenditures could result in *overstatement of cost center/FAA available obligation balance* due to price increases which were not reflected in cost center/FAA records or because unprecedented disbursements were not recorded in cost center/FAA records. Unmatched disbursements can similarly result in *understatement of available balance* due to price decreases not reflected in cost center/FAA records.

#### **4. Unliquidated (Outstanding) Obligations**

There are several purposes validating outstanding obligations. These obligations must be validated or the major claimant/providing activity may recoup the funds. Cost center validation of outstanding obligations may identify potential cancellation credits which can be reobligated if the obligation availability period has not expired. Validation can uncover possible double charges. When obligations have not been liquidated in a reasonable period of time find out why. Early discovery of discrepancies can preclude the funds from lapsing into the successor "M" account. And finally, validation of outstanding obligations is mandated by NAVCOMPT and Naval Security Group Command.

#### **5. Outstanding Travel Advances**

Close attention is required due to the high number of personnel on Temporary Additional Duty orders for Cryptologic Direct Support Operations at most Naval Security

Group Activities. This is a Naval Security Group Command high interest item. Advance travel funds are subject to abuse since the potential exists that advance funds may be disbursed even though the traveller does not travel and subsequently fails to file a travel claim. As with UDOs, travel advances should be reviewed and validated periodically.

#### **6. Discount options**

Prompt payment of some bills may result in a decrease in price. Quantity discounts may also be available. Invoices should be double checked to verify discounts given; adjust OPTAR and other local accounting records to reflect discounts taken. Failure to record discounts will make reconciliation more difficult and time consuming.

#### **7. Reimbursable execution**

If reimbursable funds are not obligated they may be recouped by the providing activity. It is important to obligate reimbursable funds consistent with the obligation rates mandated by the funds provider. Therefore, ensure that the cost center/FAA records an obligation against the correct job order number with the correct reimbursable account. Similarly, it is vital that the cost center/FAA verify Unit Identification Code (UIC) and job order number are correct on all billing documents charged against their job order number and UIC.

8. Interest payments required by the Prompt Payment Act.

Payments must be made promptly by the FIPC in accordance with the Prompt Payment Act to preclude interest payments. A critical element of the prompt payment process is proper invoice certification. Improper invoice preparation and certification were cited by OMB as two of the primary causes for late payments [Ref 9: p.13]. The FAA can assist the FIPC meet prompt payment deadlines by properly certifying invoices for payment. Certify the invoice properly by annotating the invoice receipt with the date the material or service was received and the date it was inspected and accepted. Promptly send the invoice to the FIPC for payment.

**APPENDIX A**  
**BUDGET EXECUTION ABBREVIATIONS AND ACRONYMS**

AAA	Authorization Accounting Activity
ACAT	Acquisition Category
ACC	Accounting Classification Code
ACO	Administrative Accounting Office
ACRN	Accounting Classification Reference Number
AIS	Annual Inspection Summary
AG	Activity Group
AO	Administering Office
A/P	Accounts Payable
APA	Appropriation Purchases Account (Navy)
AP,N	Aircraft Procurement, Navy
APPN	Appropriation
A/R	Accounts Receivable
A-76	OMB Circular No. A-76 on Commercial Activities
A-123	OMB Circular No. A-123 on Internal Review Internal Control
A-125	OMB Circular No. A-125 on the Prompt Payment Act
BA	Budget Activity/Authority
BCN	Bureau Control Number
BMAR	Backlog of Maintenance and Repair
BOS	Base Operating Support
BP	Budget Project



BPA	Blanket Purchase Agreement
CA	Commercial Activities
CAB	Centralized Account Billing
CAC	Cost Accounting Code
CAM	Claimant Accounting Module
CAO	Central Accounts Office
CC	Cost Center
CCP	Consolidated Cryptologic Program
CDIP	Consolidated Defense Intelligence Program
CDP	Counter Drug Problem
CERPS	Consolidated Expenditure Reporting System
CIVPAY	Civilian Pay
CIVPERS	Civilian Personnel
CMA	Centrally Managed Allotments
CMOB	Centrally Managed Operating Budgets
CR	Continuing Resolution
CRA	Continuing Resolution Authority
CSE	Command Support Equipment
DCI	Director, Central Intelligence
DIPEC	Defense Industrial Plant Equipment Center
DLR	Depot Level Repairables
EAO	Economy Act Order
EAP	Expenditure Availability Period
EE	Expense Element
EOB	Expense Operating Budget
FAA	Fund Administering Activity

FASTDATA	Fund Administration And Standardized Document Automation
FC	Functional Category
FCER	Foreign Currency Exchange Rate
FIPC	Financial Information Processing Center
FIPS	Financial Information Processing System
FM	Financial Management
FNDH	Foreign National Direct Hire
FNIH	Foreign National Indirect Hire
FRS	Financial Reporting System
FSA	Field Support Activity
FY	Fiscal Year
GD	Commander, Naval Security Group Command. Assistant for Plans, Programs, Budget and Resources Management/Comptroller
GLA	General Ledger Account
GS	General Schedule (Civil Service)
IDA	Integrated Disbursing and Accounting
IDAFMS	Integrated Disbursing and Accounting Financial Management System
IRA	Intelligence Related Activities
ISSA	Interservice Support Agreement
JON	Job Order Number
LMC	Local Management Codes
LOA	Letter Of Agreement
LOI	Letter Of Intent
LPN	Local Priority Number
MCN	Military Construction

MILCON	Military Construction
MIPR	Military Interdepartmental Purchase Request (DD Form 448)
MOU	Memorandum of Understanding
MPT	Manpower, Personnel and Training
MRP	Maintenance of Real Property
MTP	Management To Payroll
MWR	Morale, Welfare and Recreation]
NAF	Nonappropriated Funds
NAVCOMPT	Navy Comptroller
NAVSCIPS	Navy Standard Civilian Payroll Systems
NOA	New Obligational Authority
NRFC	Navy Regional Finance Center
OAP	Obligation Availability Period
OB	Operating Budget/Allotment
OC	Object Classification
O&M	Operations and Maintenance
O&M,MC	Operations and Maintenance, Marine Corps
O&M,N	Operations and Maintenance, Navy
O&M,NR	Operations and Maintenance, Naval Reserve
OP,N	Other Procurement, Navy
OPTAR	Operating Target
PE	Program Element
RCS	Report Control Symbol
RMS	Resource Management System
RO	Responsible Office
RWO	Reimbursable Work Order

SA	Suballocation Holder
SAC	Special Accounting Class
SAG	Subactivity Group
SFC	Subfunctional Category
TCP	Tactical Cryptologic Program
TOA	Total Obligational Authority
TSOR	Technical Standards of Readiness
UCA	Uniform Chart of Accounts
UDO	Undelivered Order
UIC	Unit Identification Code
UMR	Uniform Management Report
USC	United States Code
USDH	United States Direct Hire
YTD	Year To Date

## APPENDIX B

*(Note: The terms used in this glossary are extracted from multiple sources including the Practical Comptroller Course Book, Financial Management in the Navy, A Glossary of Terms Used in the Federal Budget Process, and the New Politics of the Budgetary Process)*

### GLOSSARY

#### ACCELERATED LABOR RATE

Labor expense recorded in such a manner that as an employee works one straight time hour, the expense will equal the employee's actual wage plus an "acceleration" percentage to cover the cost of anticipated leave and fringe benefits.

#### ACCOUNTING CLASSIFICATION

A code used to provide a uniform system for accumulating and reporting financial management information.

#### ACCOUNTS PAYABLE (A/P)

Tracks expenses associated with a Fund Administering Activity.

#### ACCOUNTS RECEIVABLE (A/R)

Amounts due from debtors on open appropriation accounts. Under appropriated funds, amounts due from debtors for reimbursements earned or for appropriation refunds due.

#### ACCRUAL ACCOUNTING

Accrual accounting recognizes, in the books and records of the account, the significant and accountable aspects of financial transactions or events as they occur. Under this basis, the accounting system provides a systematic record of changes in assets, liabilities and sources of funds resulting from the incurring of obligations and costs and expenses, the earning of revenues, the receipts and disbursement of cash, and other financial transactions.

#### ACTIVITY/SUBACTIVITY GROUP (AG/SAG)

Basic purpose for which an activity proposes to spend money (i.e., Station Operations, F3). SAGs used by NSG are contained in NSGINST 7310.1 (series).

#### **ADMINISTERING OFFICE (AO)**

The office, bureau, systems command, or headquarters assigned responsibility for budgeting, accounting, reporting, and controlling obligations and assigned expenditures for programs financed under appropriation(s) or subdivisions of an appropriation. This responsibility is assigned by the Responsible Office (RO). CNSG is the AO for Naval Security Group funds.

#### **ADMINISTRATIVE LIMITATION**

Limitation not subject to Title 31 USC penalties.

#### **ALLOCATION**

An authorization by a designated official of a component of the Department of Defense making funds available within a prescribed amount to an operating agency for the purpose of making allotments (i.e., the first subdivision of an apportionment).

#### **ALLOTMENT**

The authority, expressed in terms of a specific amount of funds, granted by competent authority to commit, obligate and expend funds for a particular purpose. Also known as Operating Budget (OPBUD).

#### **ANNUAL/ONE-YEAR APPROPRIATION**

An appropriation available for incurring obligations only during the fiscal year specified in the Congressional Appropriation Act.

#### **ANTI-DEFICIENCY ACT, 31 United States Code 1341, 49-50; 1512-14, 17-19.**

This act:

- (1) prohibits the authorization or incurring of obligations or expenditures in excess of amounts apportioned by the Office of Management and Budget (OMB) or in excess of amounts permitted by agency regulations;
- (2) establishes procedures for determining the responsibility for violations and for reporting violations to the President, through the Office of Management and Budget, and to the Congress;
- (3) provides provisions for penalties that may include removal from office, a \$5,000 fine, or imprisonment for two years;
- (4) outlines requirements for the apportionment of appropriations, funds or contract authority;
- (5) forbids the involvement of Government in any contract or obligation to pay money in advance of any appropriation;
- (6) require the apportionment by months, quarters,

- other regular periods, by activities or functions or a combination of both methods; and
- (7) require the head of each agency to issue regulations establishing an administrative control system with a dual purpose: first, to keep obligations with the amount of the apportionment; and second, to enable the agency to fix responsibility for making obligations in excess of the apportionment.

Title 31 responsibility is delineated in the "Remarks" section of the activity's Resource Authorization Form NAVCOMPT Form 2168-1.

#### **APPORTIONMENT**

A determination made by the Office of Management and Budget which limits the amount of obligations or expenditures which may be incurred during a specified time period.

#### **APPROPRIATED FUNDS**

Funds provided to the Navy by Congress in one of the 13 appropriation categories. Funds are typically to be spent for a specific purpose within a given time period. See nonappropriated funds.

#### **APPROPRIATION**

An authorization by an act of Congress that permits Federal agencies to incur obligations and to make payments out of the Treasury for specific purposes.

#### **APPROPRIATION ACT**

A statute under the jurisdiction of a House and Senate Committee on Appropriations which generally provides funds for Federal agencies to incur obligations and to make payments out of the Treasury for specific purposes, programs.

#### **APPROPRIATION LIMITATION**

A statutory limitation in appropriation acts that specifies the maximum or minimum amount that may be obligated or expended for specific purposes.

#### **AUTHORIZATION ACCOUNTING ACTIVITY (AAA - TRIPLE A)**

An activity designated by the Comptroller of the Navy to perform accounting for another shore activity.

#### **A-76**

See Commercial Activities.

#### **BUDGET**

The budget of an organization is an expression in financial terms of a plan for carrying out the

organization's mission for a specified period of time. The budget is an instrument of planning, decision making, and subsequent control.

#### **BUDGET ACTIVITY (APPROPRIATION)**

Categories within most accounts that identify the purposes, projects, or types of activities financed. They are presented in the Program by Activities section in the Program and Financing schedule of *The Budget of the United States Government, Appendix*.

#### **BUDGET AMENDMENT**

A proposal submitted to the Congress by the President, after his formal budget submission, but prior to completion of appropriation action by the Congress, which usually revises his previous budget submission.

#### **BUDGET AUTHORITY (BA)**

Authority provided by law to enter into obligations which will generally result in immediate or future outlays of Government funds. The basic forms of budget authority are: appropriations, contract authority and borrowing authority. Budget authority may be classified three ways:

- (a) the period of availability (one-year, multiple-year, no-year),
- (b) the timing of Congressional action (current or permanent), or
- (c) the manner of determining the amount available (definite or indefinite).

#### **BUDGET CALL**

Budget planning guidance provided by higher authority, down the chain of command. The Commander, Naval Security Group Command Budget Call is sent to activities by letter with the subject heading "NAVSECGRU O&MN FY\_\_ APPORTIONMENT AND FY\_\_ BUDGET ESTIMATES". The CNSG Budget Call is normally sent in February.

#### **BUDGET EXECUTION**

The accomplishment of the plan prepared during budget formulation. It is the process established to achieve the most effective, efficient and economical use of financial resources in carrying out the program/mission for which the funds were approved.

#### **BUDGET FORMULATION**

A process which incorporates those actions performed in the development, review, justification and presentation of budget estimates.



## **BUDGETING**

The process of translating approved resource requirements (manpower & material) into timephased financial requirements.

## **BUDGET MARK-UP**

Revision of a budget in detail, at a review level, based on consideration of policies, programs, scheduling, cost factors, and other pertinent data, as a basis for approval or obligation authorization.

## **BUDGET REQUEST**

A request for funds submitted up the chain of command.

## **BUREAU CONTROL NUMBER (BCN)**

See Unit Identification Code (UIC).

## **CEILING**

A Administering Office imposed maximum amount of an appropriation which is designated for a specific purpose, (i.e., travel funding). This maximum may not be exceeded without AO approval. Ceilings are specified in the "Remarks" section of the Resource Authorization Form 2168-1.

## **CLAIMANT**

See MAJOR CLAIMANT.

## **CLOSED APPROPRIATION ACCOUNT**

An appropriation account, the balance of which has been transferred to the Successor "M" Account or to surplus. The appropriation recorded in the account is lapsed.

## **COMMERCIAL ACTIVITIES (CA)**

The Commercial Activities program is governed by Office of Management and Budget (OMB) Circular A-76. The purpose of A-76 is to commercialize all government activities that can be performed by the civilian community. A-76 established three basic government policies:

- (1) Achieve economy and enhance production through competition,
- (2) Retain government functions in-house, and
- (3) Rely on the commercial sector.

The Commercial Activities Program has a high-level five-year review schedule.

## **COMMITMENT**

A firm administrative reservation of funds based upon firm procurement directives, orders, requisitions, authorizations to issue travel orders, or requests which authorize the recipient to create obligations without

further recourse to the official responsible for certifying the availability of funds. The act of entering into a commitment is usually the first step in the process of spending available funds. The effect of entering into a commitment and the recording of that commitment on the records of the allotment is to reserve funds for future obligations. A commitment is subject to cancellation by the approving authority if it is not already obligated. Commitments are not required under Operations and Maintenance, Navy (O&M,N) appropriations.

#### **COMMON SERVICE**

Nonreimbursable service that has been directed or agreed upon between or among Department of Defense (DOD) components at the department level.

#### **COMMON USE FACILITY**

A building or structure in which space is used concurrently by both supplier and receiver.

#### **CONTINUING OR NO-YEAR APPROPRIATION**

An appropriation which is available for incurring obligations for an indefinite period of time. Revolving funds are included in this classification.

#### **CONTINUING RESOLUTION (CR)**

Congressional action to provide budget authority for specific ongoing activities when the regular fiscal year Appropriation Act has not been enacted by the beginning of the fiscal year. The continuing resolution usually specifies a maximum rate at which the agency may incur obligations and is sometimes based on the rate of spending of the prior year.

#### **CONTROL**

The act of evaluating, through the use of reports or by inspection of operations, current performance of assigned responsibilities as compared with planned objectives or established standards.

#### **CONTROL NUMBERS**

Monetary planning limits provided by a major claimant or a local comptroller to a subordinate activity or department, providing an estimate of the next year's available resources (funds).

#### **COST ACCOUNT**

Accounts established to classify transactions, according to the purpose of the transactions. Cost account codes are also used to identify uniformly the contents of management reports.

### **COST ACCOUNTING CODES (CAC)**

An accounting classification which states specific aspects of functions (i.e. Purchased Electricity [8350]).

### **COST CATEGORY**

One of three types of costs into which the total cost of a program is divided: (1) research and development, (2) investment, and (3) operating.

### **COST CENTER (CC)**

A cost center is a subdivision of a Fund Administering Activity (FAA)/or a responsibility center (i.e., department, division).

### **CROSS SERVICE SUPPORT**

Support performed by one activity for which payment is required from the activity receiving the support.

### **CURRENT YEAR (CY)**

The fiscal year in progress.

### **DEFINITE AUTHORITY**

Authority which is stated as a specific sum at the time the authority is granted. This includes authority stated as "not to exceed" authority.

### **DEOBLIGATION**

A downward adjustment of previously recorded obligations. This may be caused by cancellation of a project or contract, price revisions or corrections of amounts previously recorded as obligations.

### **DIRECT REIMBURSABLE**

One of two types of Reimbursable Work Orders (RWOs) which become part of an activity's gross operations budget. This type includes RWOs for nonrecurring products or services which are not part of providing for the activity's mission and for which no regular work units are budgeted. The exact cost of the product service will be charged to the RWO from the receiving activity.

### **DISBURSEMENT**

A disbursing term used to describe the actual payments of funds from the U.S. Treasury.

**DOUBLE ENTRY SYSTEM OF ACCOUNTS (MEMORANDUM ACCOUNTING)**

Requires that for each debit or credit entry in one general ledger account there must be a balancing debit or credit in one or more of the other general ledger accounts.

**ECONOMIC ANALYSIS**

A systematic approach to the problem of choosing how to employ scarce resources and an investigation of the full implications of achieving a given objective in the most effective and efficient manner.

**ECONOMY ACT ORDER (EAO)**

Reimbursable order used to finance the request for routine services.

**END ITEM**

Principal/end items are generally items which stand alone and perform a function. Aircraft and aircraft engines, radar systems and computers would be typical examples of end items.

**EXECUTION**

The operation of carrying out a program as contained in the approved budget. Often referred to as "budget execution".

**EXPENDITURE**

An accounting term used to describe the satisfaction of an obligation; either through the transfer of funds (i.e., OM&N to Navy Stock Funds) or the disbursement of funds from the U.S. Treasury.

**EXPENDITURE AVAILABILITY PERIOD (EAP)**

The expenditure availability period begins upon completion of the obligational availability period (1-5 years, depending on the appropriation). It lasts two years (for all appropriations), during which the accounting records must be maintained and no obligations may be created.

**EXPENSE ELEMENT (EE)**

An expense element identifies the type of resource being consumed in the functional/subfunctional category or program element. These are listed and defined in NAVCOMPT Manual, Volume 2.

**EXPENSE LIMITATION**

The financial authority issued by a claimant to an intermediate level of command is an expense limitation.

Amounts therein are available for issuance of operating budgets to responsibility centers.

#### **EXPENSE TYPE APPROPRIATIONS**

Appropriations that finance the cost of ongoing operations. Within DOD they are normally broken down into two main subcategories: operations and maintenance (O&M), and military personnel (MILPERS).

#### **EXPIRED APPROPRIATION ACCOUNT**

An appropriation which is no longer available for obligation but still available for disbursement to liquidate existing obligations and liabilities.

#### **FENCES**

Explicit limitations (ceilings and floors) on uses on funds set by the Administering Office. Fences (both ceilings and floors) are identified in the "Remarks" section of the activity's Resource Authorization Form NAVCOMPT Form 2168-1.

#### **FIFTEEN SEVENTEEN (1517)**

See Title 31 United States Code 1517.

#### **FINANCIAL INFORMATION PROCESSING CENTER (FIPC)**

A financial services organization whose mission is to provide authorization accounting and reporting for operating budgets and allotments, commercial bill paying, disbursing, civilian payroll, plant property accounting and financial reporting of cash transactions for customer activities.

#### **FISCAL YEAR (FY)**

Accounting period beginning 1 October and ending 30 September of the following year. The fiscal year is designated by the calendar year in which it ends.

#### **FISCAL POLICY**

Federal policies on taxes, spending and debt management intended to promote the nation's economic goals, particularly with respect to employment, gross national product, inflation and balance of payments. The budget process is a major vehicle for determining and implementing fiscal policy.

#### **FLOOR**

A minimum amount of funds which is designated by the Administering Office for a specific purpose, (i.e., Maintenance of Real Property). Fund Administering Activities are prohibited from spending less than the minimum amount imposed by the AO. Floors are specified

in the "Remarks" section of an activity's Resource Authorization Form NAVCOMPT Form 2168-1.

#### **FRINGE BENEFITS (FRINGE)**

The cost of the government's contribution to a civilian employee's: retirement, life insurance, health insurance, social security, and thrift savings plans.

#### **FUNCTIONAL CLASSIFICATION**

A system of classifying budget resources by major purpose so that budget authority, outlays and credit activities can be related in terms of the national needs being addressed (e.g., national defense, health) regardless of the agency administering the program. A function may be divided into two or more subfunctions, depending on the complexity of the national need addressed by that function.

#### **FUNCTIONAL/SUBFUNCTIONAL CATEGORY (F/SFC)**

Subfunctional categories are a finer grouping within the functional category grouping. They are used to accumulate expenses separately for various functions encompassed by a single functional category. Combined, they provide a classification which states which functions will be performed (i.e., Administration [D1]).

#### **FUND ACCOUNT**

A term used to identify one of a number of government fund accounts, including the following: Federal Fund Accounts, Public Enterprise Revolving Fund Accounts, Intergovernmental Fund Accounts, Special Fund Accounts, Trust Fund Accounts and Deposit Fund Accounts.

#### **FUND ADMINISTERING ACTIVITY (FAA)**

Is an activity for which an Authorization Accounting Activity performs accounting. This is the lowest level at which official accounting is performed and where obligations/undelivered orders are recorded. Some FAA responsibilities include:

- (1) introduction of funding authority,
- (2) introduction of commitment, obligation, and expense transactions,
- (3) manage resources, and
- (4) exercises financial controls.

Previously called Fund Administrator/Responsibility Center. This is the lowest level of official accounting which carries Title 31 USC 1517 responsibility.

#### **FUND AVAILABILITY**

The amount of obligational authority in a fund or fund subdivision.

## **FUNDED REIMBURSEMENT**

A reimbursement in which the performing activity receives a written order.

## **GENERAL LEDGER**

The general ledger is the book of accounts in which all accounting entries are ultimately summarized. It is maintained by an Authorization Accounting Activity (AAA) for each operating budget/allotment holder. It is designed so that summary reports of all financial transactions can be readily prepared for management.

## **GENERAL SCHEDULE (GS)**

One of two civil service pay scales to classify employees according to skills, responsibilities, occupation, and level of proficiency. Within General Schedule, there are three classes of employees: Senior Executive Service (SES), Merit Pay Supervisors (GM), and General Schedule (GS) Professional.

## **GROSS ADJUSTED OBLIGATIONS**

The sum of all liquidated and unliquidated obligations.

## **GROSS DISBURSEMENTS**

The amount of checks issued, cash or other payments made, less any funds received.

## **GROSS OPERATING BUDGET (DIRECT REIMBURSABLE)**

The sum of the responsibility center's operating budget including new obligational authority and reimbursable funds.

## **HOST ACTIVITY**

The activity that provides facilities to another activity.

## **IMPREST FUND**

Fixed amount of cash used to make minor expenditures for local commercial purposes. Payments from the fund are reimbursed from time to time to maintain a fixed amount in the fund.

## **INDUSTRIAL PLANT EQUIPMENT (IPE)**

Equipment with a value of at least \$5,000 that cuts, polishes, molds, bends, or otherwise reshapes or reforms materials. The Defense Industrial Plant Equipment Center (DIPEC) centrally manages, plans, budgets, acquires, redistributes, and retires all IPE.

## **INITIATION**

This is an administrative reservations of funds based upon program execution actions. Initiations are

evidenced by documents issued for planning and/or negotiating purposes. Such documents may or may not be released to a procuring authority either within or outside the preparing activity. Documents not released to a procuring authority may be recorded as initiations at the discretion of the preparing activity. Documents released to a procuring authority that include a qualification statement precluding execution of the specified action until some other event occurs; e.g., passage of an Appropriation Act or Continuing Resolution Act, further specific approval by the issuing activity, or until a specified date is reached; will be recorded as initiations until the qualification is satisfied. Initiations recorded in the official accounting records of the issuing activity will not reduce uncommitted/unobligated authority (available balance).

#### **INTEGRATED DISBURSING AND ACCOUNTING (IDA)**

Processing system designed to improve the Navy's current accounting and disbursing systems. The IDA system incorporates the use of integrated databases for concurrent accounting and expensing transactions.

#### **INTERSERVICE SUPPORT**

Support provided by one Federal Agency or subdivision thereof, to another Federal Agency, or subdivision thereof, when at least one of the participating agencies or subdivision is the Department of Defense or a DOD component.

#### **INTRASERVICE SUPPORT**

Action on the part of one activity to provide support to another activity within the same DOD component, agency or service.

#### **INVESTMENT-TYPE APPROPRIATIONS**

Appropriations for investment type items as opposed to expenses. The investment category is essentially split into two areas: procurement and military construction.

#### **INVOICE**

This term includes contractor requests for payment, travel claims and other miscellaneous vouchers.

#### **INVOICE CERTIFICATION**

Invoice certification (also called receipt certification) is a statement placed on an invoice, or a receiving document related to an invoice, indicating that the goods or services were accepted.



**JOB ORDER (JO)**

- (1) A formal instruction to perform certain work according to specifications, estimates, etc.;
- (2) Descriptive of a cost system whereby costs are accumulated by job order.

**JOINT USE FACILITY**

A separate building or structure that is occupied jointly, when specific space has been designated for the sole use of each of the occupants.

**LABOR DISTRIBUTION**

The method which transfers the actual cost of labor to the job order cost accounting system.

**LABOR DISTRIBUTION CARD (LDC)**

A card which identifies hours spent day by day for each job order applicable to their effort.

**LAPSED APPROPRIATION**

An appropriation whose undisbursed balance is no longer available for disbursement as the two year expenditure availability period has ended.

**LIMITATION**

A statutory restriction within an appropriation or other authorization or fund which establishes the maximum or minimum amounts which may be used for specific purposes. Limitations (like fences) are specified in the "Remarks" section of an activity's Resource Authorization NAVCOMPT Form 2168-1.

**LIQUIDATED OBLIGATION**

An obligation that is matched with an expenditure.

**LOCAL PRIORITY NUMBER (LPN)**

A priority number assigned by the local activity concerned when preparing the Naval Security Group Operating Target/Budget Deficiency Form RCS NSG 7132-1. Instructions for completing the RCS NSG 7132-1 are provided in NSGINST 7132.1 (series).

**MAJOR CLAIMANT/SUBCLAIMANT**

A major claimant is a bureau/office/command/headquarters, which is designated as an administering office (AO) under the Operation and Maintenance appropriations in NAVCOMPT Manual, Volume 2, Chapter 2. Navy major claimants receive operating budgets directly from the Chief of Naval Operations Fiscal Management Division (OP-82). Subclaimants are bureaus/offices/commands designated as an administering office which receive a subclaimant operating budget from a major claimant. Commander, Naval Security Group Command is

the major claimant for all Naval Security Group Activities, Detachments and Departments.

**"M" ACCOUNT**

See SUCCESSOR "M" ACCOUNT.

**MARK**

Decision by line item indicating a change (usually a decrease) in a budget request.

**MEMORANDUM ACCOUNT**

An account, usually stated in financial terms, but not always a part of the basic double-entry system of accounts, used for obtaining data required for control, reporting or other purposes.

**MEMORANDUM OF AGREEMENT/UNDERSTANDING (MOA/MOU)**

The documentation of mutually agreed statement of facts, intentions, procedures, parameters, and policies for future actions and matters of coordination.

**MIDYEAR REVIEW OF THE BUDGET**

Mid-Year review is a formal review of budget execution by the entire Navy chain of command. During mid-year review, NSG elements are required to submit actual budget performance data for the six-month period ending 30 March of the current fiscal year. Mid-year review serves two primary purposes:

- (1) evaluates budget execution performance to date and
- (2) reviews projected requirements for the remainder of the year, with particular emphasis on providing resources for unfunded deficiencies and recouping funds from responsibility centers which have unsatisfactory obligation/expenditure rates.

**MILITARY INTER-DEPARTMENTAL PURCHASE REQUEST (MIPR)**

A procurement order issued by one military service to another military service to procure, produce or deliver services, supplies or equipment to or for the ordering service.

**MULTI-YEAR APPROPRIATION ACCOUNT**

Appropriation available for incurring obligations for a definite period in excess of one year.

**NEW OBLIGATION AUTHORITY (NOA)**

Authority to incur obligations becoming newly available for a given fiscal year. (Direct Funding Only) authorized by current and prior actions of the Congress. New obligational authority is specified on the

activity's Resource Authorization Form NAVCOMPT Form  
2168-1.

**NONAPPROPRIATED FUNDS (NAF)**

Monies derived from sources other than Congressional Appropriations, primarily from the sale of goods and services to DOD military and civilian personnel and their dependents and used to support or provide essential morale, welfare, recreational and certain religious and educational programs. Another distinguishing characteristic of these funds is the fact that there is no accountability for them in the fiscal records of the Treasury of the United States.

**OBJECT CLASSIFICATION**

A uniform classification identifying the transactions of the Federal government by the nature of the goods or services purchased (i.e., personnel compensation, supplies and materials, equipment) without regard to the agency involved or the purpose of the programs for which they are used.

**OBLIGATION**

A duty to make a future payment of money. The duty is incurred as soon as an order is placed, or a contract is awarded for the delivery of goods or the performance of services. It is not necessary that goods actually be delivered, or services actually performed, before the obligation is created; neither is it necessary that a bill, or invoice, be received first. The placement of an order is sufficient. An obligation legally encumbers a specified sum of money which will require outlays(s) or expenditure(s) in the future.

**OBLIGATION AVAILABILITY PERIOD (OAP)**

Appropriations have a specific obligation availability period or duration which can be grouped as either annual or multi-year. The duration of this period is consistent with the funding characteristics of the appropriation.

**OBLIGATIONAL ACCOUNTING**

A means of keeping track of the cumulative total of resources for which authority to spend has been passed for a particular fiscal year.

**OBLIGATIONAL AUTHORITY**

- (1) An authorization by Act of Congress to procure goods and services within a specified amount by appropriation or other authorization.

- (2) The administrative extension of such authority, as by apportionment or funding.
- (3) The amount of authority so granted.

#### **ONE-YEAR APPROPRIATION ACCOUNT**

This account is available for incurring obligations only during a specified fiscal year.

#### **OPEN APPROPRIATION ACCOUNT**

An appropriation account, the balance of which has not been carried to the successor "M" account or to surplus.

The appropriation recorded in the account may be expired or unexpired.

#### **OPERATING AND SUPPORT COSTS**

Those recurring costs associated with operating, modifying, maintaining, supplying and supporting a weapon/support system in the DOD inventory.

#### **OPERATING BUDGET (OB)**

For DOD commonality, operating budget it is now referred to as an allotment. An operating budget (ALLOTMENT) is the annual budget of an activity stated in terms of subactivity group (SAG) codes, functional/subfunctional (FC/SFC) categories and cost accounts. It contains estimates of the total value of resources required for the performance of the mission including reimbursable work or services for others. It also includes estimates of workload in terms of total work units identified by cost accounts.

#### **OPERATING TARGET (OPTAR)**

An administrative rather than legal limitation on obligations provided to an afloat operating unit or Cost Center ashore.

#### **OPERATION AND MAINTENANCE, NAVY (O&M,N)**

An appropriation of funds from Congress intended to finance the basic day-to-day operation of the fleet and principal shore activities of the Navy, issued to Operating Budget (OB) holders for normal expenses incurred in operating and maintaining an activity.

#### **ORDERING ACTIVITY**

An activity which originates a requisition or order for procurement, production, or performance of work or services by another activity.

#### **OTHER PROCUREMENT, NAVY (OP,N)**

An appropriation of funds established for the financing of specialized systems, programs or activities not

otherwise provided for. OPN funds are typically investment type appropriations. This appropriation funds end items (i.e., computers, motor vehicles, etc.) with a value of \$15,000.00 or above.

#### **OUTLAYS**

A budget term used to describe an actual cash payment or issuance of a check against the Treasury to satisfy a governmental obligation.

#### **PRIOR YEAR**

The fiscal year immediately preceding the current fiscal year; the year completed last fiscal year.

#### **PERFORMING ACTIVITY**

An activity which is responsible for performing work or service, including production of material and/or procurement of goods and services from other contractors and activities.

#### **PROJECT ORDER**

A specific, definite and certain order between Navy activities, for work or the manufacture of supplies, material or equipment which, for the purpose of obligation assumes the characteristics of orders or contracts placed with commercial enterprises.

#### **PROMPT PAYMENT ACT (PUBLIC LAW 97-177)**

Legislation that requires the Federal Government to:

- (1) pay their bills on time.
- (2) pay interest on late payments made on contracts and purchase orders, and
- (3) take discounts only when payments are made within the discount period.

#### **RECLAMA**

A formal appeal in the DON/DOD decision-making process through which an issue that has been disapproved (in whole or part) may be resubmitted for further consideration.

#### **RECONCILIATION**

The process, beginning at the cost center level (within the fund administering activity), whereby cost center obligations are matched to FAA obligations and further matched with obligations in the FAA's official records of activity accounts. The FAA (beginning at the cost center) is responsible for ensuring that FIPC records accurately present FAA budget performance.

**REIMBURSABLE EXPENDITURE**

An expenditure made for another agency, fund, or appropriation, or for a private individual, firm or corporation, which subsequently will be recovered.

**REIMBURSABLE WORK ORDER (RWO)**

A request to provide a product or service to the requestor which may entail expenditure of labor, material, services or subcontractual support to fulfill the request, and with funds coming from outside the Operating Budget.

**REIMBURSEMENTS**

Amounts received by an activity for the cost of a material, work, or services furnished to others, for credit to an appropriation or other fund account.

**RESOURCE AUTHORIZATION**

Direct Funding Document NAVCOMPT 2168-1, NAVCOMPT 372, etc., authorizing Obligation and/or Expense/Military Services Authority (funds). It provides direct O&M.N New Obligational Authority (NOA) by quarters. The Resource Authorization will include funding limitations (fences/ceilings) imposed.

**RESOURCE MANAGEMENT SYSTEM (RMS)**

The formalized system by which the Navy tracks and accounts for financial resources provided to and employed by Navy shore commands within the O&M.N appropriation.

**RESOURCES**

Consist of military and civilian personnel, material on hand and on order, and the entitlement to procure or use material, utilities and services.

**RESPONSIBLE OFFICE (RO)**

The office, bureau, systems command or headquarters which has been assigned the responsibility for overall management for all programs financed by an appropriation. The Director, Chief of Naval Operations Fiscal Management Division (OP-82) is the responsible office for all Navy appropriations, except RDT&E.N appropriations. Headquarters, U.S. Marine Corps is the responsible office for all Marine Corps appropriations. The Assistant Secretary of the Navy (Research, Engineering Systems) is the responsible office for RDT&E.N.

**RESPONSIBILITY CENTER**

See Fund Administering Activity (FAA).

**SAG**

See ACTIVITY GROUP.

**SOLE USE FACILITY**

A building or structure that is designated for the exclusive use of the receiver. Identifiable costs are reimbursable to the supplier.

**SPECIFIC JOB ORDER**

A job order established for the accomplishment of specified work with an estimated completion date and for which summarization of cost incurred is desired upon completion.

**SPENDING PLAN**

A responsibility center's documented budget execution plan detailing how it intends to spend that fiscal year's funds.

**STANDARD DOCUMENT NUMBER (SDN)**

A 15-character number assigned to each document prepared and processed as inputs to the financial system. The first six positions represent the unit identification code (UIC) of the issuing activity.

**STANDING JOB ORDER**

A job order established to provide for ongoing services in connection with the maintenance and operation of the activity during a specified period.

**STATUTORY RESTRICTION (LIMITATION)**

Legal limitations as set forth by Congress restricting the use of appropriations. See also APPROPRIATION LIMITATION.

**SUBACTIVITY GROUP (SAG)**

See ACTIVITY GROUP.

**SUBFUNCTIONAL CATEGORY (SFC)**

See FUNCTIONAL CATEGORY.

**SUBHEAD**

A four digit numeric or alpha-numeric code identifying the first level subdivision of an appropriation used primarily for administration, accounting and control of an appropriation. Naval Security Group subheads are .6920, .6930, and .6970.

**SUCCESSOR "M" ACCOUNT**

Upon lapse of annual and multi-year appropriations, the obligated but unexpended balances merge/transfer in the Appropriations Successor "M" Account.

#### **SUPPLEMENTAL APPROPRIATION**

An act appropriating funds in addition to those in an annual appropriation act. Supplemental appropriations provide additional budget authority beyond original estimates for programs or activities (including new programs authorized after the date of the original appropriation).

#### **SUPPORTING ACTIVITY**

An activity that provides only services (and no facilities) to another activity.

#### **TENANT ACTIVITY**

An activity that uses the facilities and receives support from another activity.

#### **TITLE 31 UNITED STATES CODE 1301(A)**

This provision of law dealing with the application of monies appropriated by Congress requires that these funds be used only for the purposes for which the appropriation is made.

The law states: "Appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law."

This law provides that funds appropriated for Operations and Maintenance expenses, such as utilities or building repairs, may not be used for investments such as procurement of a large computer or a passenger van.

Title 31 responsibility is delineated in the "Remarks" section of the activity's Resource Authorization Form NAVCOMPT Form 2168-1.

#### **TITLE 31 UNITED STATES CODE 1341, 49-50; 1512-14, 17-19**

These provisions, often referred to collectively as the "Anti-deficiency Act" are probably the most important legal limitations affecting the Commanding Officer at the activity level. The statute most commonly referred to is 31 USC 1517 which prohibits any officer or employee from making or authorizing an obligation in excess of the amount available in an appropriation or fund.

Other provisions of the act are addressed in ANTI-DEFICIENCY ACT, 31 United States Code 1341, 49-50; 1512-14, 17-19.

Title 31 responsibility is delineated in the "Remarks" section of the activity's Resource Authorization Form NAVCOMPT Form 2168-1.



## **TOTAL OBLIGATIONAL AUTHORITY (TOA)**

The total amount of funds available for programming in a given year, regardless of the years the funds are appropriated, obligated or expended. TOA includes New Obligational Authority (NOA), unprogrammed or reprogrammed obligational authority from prior years, reimbursements not used for replacement of inventory in kind, advance funding for programs to be financed in the future and unobligated balances transferred from other appropriations.

## **TRANSACTION**

The conduct of business involving the participation of two or more parties for the purpose of exchange of goods or services for money or other considerations. A transaction is comprised of various stages before completion. The function of an accounting system is to identify, classify and record transactions.

## **TRANSFER OF FUNDS**

When specifically authorized in law, all or part of the budget authority in one account may be transferred to another account.

## **UNDELIVERED ORDERS (UDO)**

An undelivered order is any document, meeting the criteria of an obligation, issued for materials or services that have not yet been received by the activity that ordered it.

## **UNDISTRIBUTED DISBURSEMENTS**

Disbursements not processed by the Authorization Accounting Activity (AAA) against obligation records.

## **UNEXPENDED BALANCE**

The sum of obligated and unobligated balances.

## **UNEXPIRED APPROPRIATION ACCOUNT**

This account is one in which authority to incur obligations has not ceased to be available.

## **UNFUNDED DEFICIENCY**

See UNFUNDED REQUIREMENTS.

## **UNFUNDED REIMBURSEMENTS**

Unfunded reimbursements result when work or services are provided without a specific order.

## **UNFUNDED REQUIREMENTS**

Those programs, functions, services or goods which cannot be obtained/performed within the constraints of

the control numbers assigned to an activity. Unfunded Requirements/Deficiencies are submitted in accordance with NSGINST 7132.1 (series).

**UNIFORM CHART OF EXPENSE ACCOUNTS**

Provides a basis for classifying and charging all expenses to the Navy for doing business. It facilitates comparisons and combinations of budget and accounting reports and brings budgeting and accounting information into line with the programming portion of the SYDP.

**UNLIQUIDATED OBLIGATIONS**

Outstanding obligations with no matching expenditures.

**UNMATCHED DISBURSEMENTS**

Disbursements that cannot be matched to existing obligations.

**UNOBLIGATED BALANCE**

Balances of total obligational authority which have not been obligated.

**VOUCHER**

Any document which is evidence of a transaction, showing the nature and amount of the transaction. It usually indicates the accounts in which the transaction is to be recorded.

**WORK UNIT**

Measures of output that express volume of work; conversely, manhours and dollars are measures of input required to produce work units or perform work.

**YEAR-TO-DATE (YTD)**

Cumulative totals lodged against job orders or cost accounts from the beginning of the fiscal year to the current date.

## APPENDIX C

### FINANCIAL MANAGEMENT SURVEY OF COs, DHs AND OICs

A survey was sent to each Commanding Officer, Department Head and Officer in Charge of the 48 Naval Security Group Activities, Departments and Detachments in 21 countries throughout the world. Respondents were given 60 days to complete the survey and return it. 32 (66.6%) of the 48 surveys were completed and returned. The results of the survey are summarized following applicable questions.

#### Financial Management Survey

1. What is the extent of your financial education?

1/32	Prior enlisted experience
32/32	Current job
4/32	College
2/32	Postgraduate School
1/32	Practical Comptroller's Course
1/32	Financial Management subspecialty

1a. Did you receive any financial training in preparation for your present position?

6/32	Yes
26/32	No

2. What was the total New Obligational Authority for your command for FY90?

There were 24 responses to this question. 8 surveys were returned without a response to this question.

New obligational authority ranged from \$19,500.00 to \$15,000,000.00. The average was \$2,115,000.00 and the median was \$692,000.00.

**3. What was your obligation rate for FY90?**

There were 27 responses to this question. 5 surveys were returned without a response to this question.

Obligation rates ranged from 91% to 100%. The average obligation rate was 93.967% and the median was 99.8%.

**4. What was your expenditure rate for FY89 and FY90?**

FY89 - there were 24 responses to this part of the question. 8 surveys were returned without a response to this part of the question.

Expenditure rates for FY89 ranged from 67% to 100%. The average expenditure rate was 93.2% and the median was 95%.

FY90 - there were 22 responses to this part of the question. 10 surveys were returned without a response to this part of the question.

Expenditure rates for FY90 ranged from 34% to 100%. The average expenditure rate was 76.06% and the median was 83.3%.

**5. Who is your Authorization Accounting Activity (AAA)/ Financial Information Processing Center (FIPC)?**

100% responded to this question. NSG activities are served by virtually every FIPC/AAA in the world.

**6. Do you have Title 31 responsibility?**

16/32    50%    Yes

16/32    50%    No

**7. Is your budget sent to you by CNSG as:**

22/32    NAVCOMPT 2168 (Resource Authorization)

5/32    OPTAR from parent command

3/32    NAVCOMPT 2275 (Work Request)

2/32    Other

8. Who is responsible for tracking the budget at your command?

13/32 Supply Officer  
6/32 Store Keeper 1st Class  
5/32 Civilian Budget Analyst  
4/32 Enlisted (non-SK)  
4/32 CO/XO/Dept Head

9. Are you satisfied with the financial training you've received?

20/32 No  
6/32 Yes  
6/32 Stated they had received no training

10. List the publications which have been most helpful to you in understanding the budget process and your responsibilities relating to the budget?

12/32 No response  
11/32 Financial Management For Commanding Officers  
NAVSO P3582  
4/32 NAVCOMPT Manual  
4/32 Naval Security Group Budget/Financial  
Instructions  
1/32 AAA Handbook Rota, Spain

11. Have you heard about FASTDATA?

27/32 No  
5/32 Yes

12. List any particular questions about budget execution that you would like to see answered.

24/32 No particular questions  
2/32 How AAA documents are coded?

2/32 Budget Execution Primer

1/32 Temporary Additional Duty Orders liquidation

1/32 Why funds are doled out in increments

1/32 When will system become automated?

1/32 Explain Reconciliation

13. How often does the CO/OIC/DH receive a brief (i.e., TOA, NOA, funds obligated, funds expended, funds available) on the budget?

11 Monthly

10 Weekly

5 Quarterly

4 Every 2 Weeks

2 Every 10 days

14. What (in your estimation) is the single most difficult element of budget execution for your command?

10/32 No response

6/32 Reconciliation

6/32 Straight line budget, unplanned expenditures, unforecast requirements

3/32 Open purchases

3/32 Temporary Additional Duty Orders liquidation

2/32 CIVPERS

2/32 Lack of funds to satisfy mission requirements

15. Name and title of person completing this survey:

With the exception of 2 surveys, all of the returned surveys were signed by the CO of the Activity, Department Head of the NSG Department or Officer in Charge of the Detachment.

## APPENDIX D

### Assistant for Planning Programming & Budgeting and Resource Management Comptroller Commercial Phone Number 1 202 281-XXX AUTOVON 29X-XXXX

GD	Assistant for PPB & RM Comptroller	CAPT Whiton	20491
GDB	Deputy Assistant	CDR Bishop	20491
GDS	Secretary	Mrs. Lancaster	20491
GDA	Admin Chief	CTA1 Owens	20845
GDA1	Admin Supervisor	CTA3 Williams	20844
GDA2	Admin Clerk	CTASN Lowery	20844
GD1	Director for Plans/Studies	CDR Griffith	20349
GD1B	Deputy Plans Studies & Management	LCDR Enderle	20350
GD1B1	Computer Program Analyst	Ms. Richardson	20350
GD1B2	Clerk/Typist (Computer)	Mrs. Morris	20350
GD11	Assistant for Plans (Pacific)	LCDR Libby	20350
GD12	Head Organization	Mr. Eggen	20350
GD14	Assistant for Plans (CSAW)	CAPT Abrams	20350
GD2	Director for Program/Budget	CDR Sare	20640
GD21	Support Programs	Mrs. Johnson	20640
GD22	Head CCP Development	LT Nelson	20640
GD3	Director Financial Administration	Vacant	
GD31	Deputy Director Financial Administration	Mr. Lindsey	26795
GD32	Accountant	Mr. Houston	20795
GD33	Accounts Maintenance Clerk	Ms. Sisney	20795
GD4	Director for Manpower	Mrs. McDonald	20218
GD41	Head Program/Budget	Mr. McNamara	20355
GD42	Head Billet Coordinator	Mrs. Nelson	20218
GD421	Head Billet Coordinator	Mr. Salminen	20408
GD43	Head SHMD	Mrs. Baldwin	20355
GD431	Assistant SHMD	Mrs. Johnson	20355
GD432	SHMD Analyst	Ms. Scott	20344

615	Director for Budget	Mrs. Green	22022
6D51	Head Investment	Mr. Pulnar	22022
6D52	Head Operations	Mrs. Iacono	20369



KEY POSITIONS, FUNCTIONS AND RESPONSIBILITIES  
WITHIN THE CNSG COMPTROLLER ORGANIZATION

GD                      Assistant for Plans, Programs Budget and  
Resources Management/Comptroller

Mission: Principle advisor to COMNAVSECGRU in the formulation and implementation of NAVSECGRU plans, programs, budget and resources mgmt and comptroller matters.

Functions:

1. Serves as the Naval Security Group Comptroller.
2. Act as program sponsor for NAVSECGRU civilian personnel resources (mobilization requirements, billets, funding etc.)
3. Act as sponsor for HQNAVSECGRU staff offices, shore activities and detachments and other assigned activities concerning operating expenses and investment resource requirements.
4. Serve as focal point within HQNAVSECGRU for the release of quantitative information related to cryptologic matters.
5. Provide planning, programming and budget support for Electronic Warfare programs and operations as appropriate.
6. Review reports of internal and external audits, management surveys, inspection of cost studies of NAVSECGRU component organizations on matters under the purview of the comptroller; monitor the action taken on recommendations and the status of implementation; and evaluate, follow-up and report progress to the NAVSECGRU coordinator.
7. Develop, review and analyze manpower requirements for each NAVSECGRU activity.
8. Direct and exercise centralized coordinating authority over NAVSECGRU program and budget formulation, review, execution, appraisal and progress reporting and statistics to ensure an integrated and effective NAVSECGRU system for planning, programming, budgeting and resources management.
9. Manage Shore Manpower Requirements Program for the NAVSECGRU.

GD1

## Plans and Studies Division

Mission: Formulate, coordinate and maintain plans and performs studies for the provision and coordination of cryptologic resources necessary to carry out the mission of COMNAVSECGRU; to coordinate plans, management programs and studies which relate to NAVSECGRU within the Navy and the cryptologic community; and develop, recommend and implement NAVSECGRU organizational and functional management policy.

### Functions:

1. Prepare, coordinate and execute plans for the reduction of, or realignment of NAVSECGRU resources and activation/deactivation of field activities.
2. Serve as point of contact for matters on command relationships and major claimant responsibilities for COMNAVTELCOM and/COMNAVSECGRU field sites.
3. Initiates and coordinates appropriate directives concerning establishment and disestablishment of NAVSECGRU activities.
4. Prepare and publish mission, tasks and functions statements for NAVSECGRU activities and elements as appropriate.
5. Coordinate and review DOD and multi-service collocation policy and procedures and intra/inter-services support agreements (ISSAs) of NAVSECGRU activities.
6. Coordinate all HQNAVSECGRU and NAVSECGRU Memoranda of Understanding (MOU).
7. Serve as the focal point within HQNAVSECGRU for information release policy related to the NAVSECGRU.
8. Manage the NAVSECGRU Total Quality Management (TQM) Program which includes submission on a quarterly and annual report to the Specification Control Advocate General of the Navy.
9. Manage the Management Control and Command Evaluation Program for NAVSECGRU.
10. Serve as the NAVSECGRU Audit Liaison Officer.

Requirements and Programs/Budget  
Coordination Division

Mission: To assist in the management of financial and manpower resources through the programming cycle as well as in their translation into budgets; and through appropriate coordination, financial analysis, documentation and staffing, establish future resource levels required to support planned NAVSECGRU operations in conjunction with the DON, DOD, NSA/CSS and Director Central Intelligence (DCI) programs, budget and resources management policies and functions.

Functions:

1. Point of contact on matters pertaining to program plans, financial policy and future manning requirements.
2. Advise and assist NAVSECGRU management officials by providing financial management advice required to make decisions, establish organizational goals and objectives and manage the NAVSECGRU.
3. Develop, prepare and submit required documentation for the DON Program Objectives Memorandum (POM) process and represent COMNAVSECGRU in POM meetings as required.
4. Solicit fiscal and manpower support requirements for the Consolidated Cryptologic Program (CCP), costing for CCP requirements and costing for other cryptologic program submissions to OPNAV.
5. Coordinate support requirements and the allocation of logistic billets to Naval Communication Stations (NAVCOMMSTAs) and Naval Communication Area Master Stations (NAVCAMs) where NAVSECGRU departments are located.
6. Determine, sponsor and program the military manpower requirements for command, staff corps, administrative and logistics support functions for current and planned operations.
7. Translate program requirements into a balanced and cohesive NAVSECGRU budget and financial plan consistent with approved plans and programs.
8. Coordinate development of analytic studies of program objectives necessary to provide COMNAVSECGRU with the factual data essential for effective operation and support.

Mission: To plan, organize and direct a comprehensive and integrated program of financial control under the Navy Appropriation Accounting System for official and management accounting and related financial services and to act as the chief advisor concerning all accounting functions of the NAVSECGRU.

Functions:

1. Plan, develop and establish accounting policy and procedures for NAVSECGRU and its field components.
2. Provide for review of statements of command position on accounting and reporting matters contained in audits and inspection reports.
3. Advise NAVSECGRU officials with respect to the legal limitations, availability of operating funds, propriety in the use of funds and the methodology of funding.
4. Review documents which create or authorize the creation of obligations against funds made available to COMNAVSECGRU by other commands.
5. Review budget actions and planned issuance of funds to operating budgets/allotments to ensure that such actions will not place programs in a deficit status.
6. Review reports of violations on matters pertaining to administrative control of funds regulations and recommends appropriate actions.

## Manpower Division

Mission: To administer the NAVSECGRU civilian employment ceilings; perform specific functions required of major claimants for manpower resources/requirements and functions as the staff manager for administering the HQNAVSECGRU Automated Data Processing System used in the management of military and civilian manpower resources/requirements (MISBRD II - Manpower Information System Billet Requirements Data).

## Functions:

1. Provide assistance in resolving manpower problems in areas of program, budget and resource management and related functional areas.
2. Manage the Civilian Manpower Program.
3. Manage the Military Manpower Program; maintain numbers and types of billets allocated by activity, maintain listings of all officer and enlisted billets inside and outside the NAVSECGRU Navy Manpower End Strength System (NMESS) and function as the Staff Manager in administering the HQNAVSECGRU Management Information System Billet Requirements Data (MISBRD II) used in the management of manpower resources/requirements.
4. Produce the Civilian and Military Mobilization Manpower authorization change requests (OPNAV Form 1000/4A) NAVSECGRU as required.
5. Manage the Shore Manpower Requirements Program for NAVSECGRU.
6. Provide for program management and administration of the OMB Circular Number A-76 Commercial Activities Program in accordance with OPNAVINST 4860.7B.

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